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

### **千百度國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 1028)**

#### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

#### **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 2018 together with comparative figures for the corresponding period in 2017, as follows:

#### **FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	<b>1,449,974</b>	1,415,794
Gross profit	<b>859,162</b>	908,441
Profit before tax	<b>15,886</b>	71,467
Income tax expense	<b>(28,907)</b>	(32,703)
Net (loss) profit attributable to equity holder of the Company	<b>(14,097)</b>	39,055
	<b>%</b>	<b>%</b>
Gross profit margin	<b>59.3</b>	64.2
Operating profit margin	<b>1.1</b>	5.0
Net (loss) profit margin	<b>(0.9)</b>	2.8
<b>(Loss) Earnings per share</b>		
– Basic (RMB cents)	<b>(0.68)</b>	1.88
– Diluted (RMB cents)	<b>(0.68)</b>	1.88

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2018*

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>NOTES</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	1,449,974	1,415,794
Cost of sales		<u>(590,812)</u>	<u>(507,353)</u>
Gross profit		859,162	908,441
Other income and expenses and other gains and losses	4	34,471	12,826
Distribution and selling expenses		(752,667)	(739,691)
Administrative and general expenses		(102,926)	(88,205)
Finance costs		(43,381)	(18,807)
Share of loss of an associate		(1,324)	(2,468)
Share of loss of joint ventures		(1,075)	(629)
Gain on disposal of held for sale assets		23,626	–
		<u>15,886</u>	<u>71,467</u>
Profit before income tax	5	15,886	71,467
Income tax expense	6	(28,907)	(32,703)
		<u>(13,021)</u>	<u>38,764</u>
<b>(Loss) Profit for the period</b>		<u><b>(13,021)</b></u>	<u><b>38,764</b></u>
<b>Other comprehensive (expenses) income net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,087)	9,025
Share of reserve of an associate		–	4,071
		<u>–</u>	<u>4,071</u>
<b>Total comprehensive (expenses) income for the period</b>		<u><b>(14,108)</b></u>	<u><b>51,860</b></u>
<b>(Loss) Profit for the period attributable to</b>			
Owners of the Company		(14,097)	39,055
Non-controlling interests		1,076	(291)
		<u>(13,021)</u>	<u>38,764</u>
<b>Total comprehensive (expenses) income for the period attributable to:</b>			
Owners of the Company		(15,182)	52,238
Non-controlling interests		1,074	(378)
		<u>(14,108)</u>	<u>51,860</u>
<b>(Loss) Earnings per share</b>			
– Basic (RMB cents)	8	<u>(0.68)</u>	<u>1.88</u>
– Diluted (RMB cents)	8	<u>(0.68)</u>	<u>1.88</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		At 30 June 2018	At 31 December 2017
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		274,222	270,185
Prepaid lease payments		12,825	13,019
Other intangible assets		844,178	859,122
Goodwill	9	159,552	162,437
Interest in an associate		18,962	20,242
Interest in joint ventures		15,399	16,693
Available-for-sale investment		10,765	10,765
Deferred tax assets		97,147	86,645
Long-term deposits		20,131	21,703
		<u>1,453,181</u>	<u>1,460,811</u>
<b>Current assets</b>			
Inventories		766,080	830,131
Trade receivables	10	372,705	392,273
Other receivables and prepayments		353,352	175,025
Interests in joint ventures		4,674	5,231
Other financial assets		10,000	10,000
Bank balances and cash		296,230	540,059
		<u>1,803,041</u>	<u>1,952,719</u>
<b>Assets classified as held for sale</b>		–	546,300
<b>Current liabilities</b>			
Trade payables	11	203,394	183,263
Other payables		395,115	289,675
Income tax liabilities		17,068	25,178
Borrowings	12	260,749	1,045,221
Deferred revenue		47,910	30,563
Obligation under finance leases		4,639	6,444
Provisions		14,113	17,269
Bank overdrafts		–	29,001
		<u>942,988</u>	<u>1,626,614</u>
Net current assets		<u>860,053</u>	<u>872,405</u>
<b>Total assets less current liabilities</b>		<u>2,313,234</u>	<u>2,333,216</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2018*

		<b>At 30 June 2018 RMB'000 (unaudited)</b>	At 31 December 2017 RMB'000 (audited)
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>154,556</b>	159,496
Borrowings	<i>12</i>	<b>72,783</b>	71,876
Obligation under finance leases		<b>2,394</b>	3,872
Deferred revenue		<b>11,630</b>	11,579
		<hr/> <b>241,363</b> <hr/>	<hr/> 246,823 <hr/>
Net assets		<b>2,071,871</b> <hr/> <hr/>	2,086,393 <hr/> <hr/>
<b>Capital and reserves</b>			
Share capital		<b>209,097</b>	209,097
Reserves		<b>1,807,516</b>	1,822,698
		<hr/> <b>2,016,613</b> <hr/>	<hr/> 2,031,795 <hr/>
<b>Total equity attributable to owners of the Company</b>		<b>2,016,613</b>	2,031,795
Non-controlling interests		<b>55,258</b>	54,598
		<hr/> <b>2,071,871</b> <hr/> <hr/>	<hr/> 2,086,393 <hr/> <hr/>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

## Equity attributable to owners of the Company

	Equity attributable to owners of the Company						Foreign currency translation reserve	Sub- total	Non- controlling interests	Total
	Share capital	Share premium	Shares held under the share award scheme	PRC statutory reserve	Capital reserve	Accumulated profits				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)	<u>209,097</u>	<u>646,042</u>	<u>(49,986)</u>	<u>251,998</u>	<u>4,071</u>	<u>1,030,748</u>	<u>(23,293)</u>	<u>2,068,677</u>	<u>58,726</u>	<u>2,127,403</u>
At 1 January 2018 (audited)	209,097	646,042	(49,986)	272,355	-	991,828	(37,541)	2,031,795	54,598	2,086,393
Profit (loss) for the period	-	-	-	-	-	(14,097)	-	(14,097)	1,076	(13,021)
Other comprehensive expenses for the period	-	-	-	-	-	-	(1,085)	(1,085)	(2)	(1,087)
Total comprehensive income (expenses) for the period	-	-	-	-	-	(14,097)	(1,085)	(15,182)	1,074	(14,108)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(414)	(414)
At 30 June 2018 (unaudited)	<u>209,097</u>	<u>646,042</u>	<u>(49,986)</u>	<u>272,355</u>	<u>-</u>	<u>977,731</u>	<u>(38,626)</u>	<u>2,016,613</u>	<u>55,258</u>	<u>2,071,871</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 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 operate (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 instruments, 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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

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 above 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 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:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Segment revenue</b>		
Retail and wholesale of shoes		
– external sales	<b>1,066,267</b>	1,103,321
Contract manufacturing of shoes		
– external sales	<b>108,872</b>	55,846
– inter-segment sales	<b>6,667</b>	17,722
Retail of toys		
– external sales	<b>274,835</b>	256,627
	<hr/>	<hr/>
Segment revenue	<b>1,456,641</b>	1,433,516
Eliminations	<b>(6,667)</b>	(17,722)
	<hr/>	<hr/>
Group revenue	<b>1,449,974</b>	1,415,794
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment results</b>		
Retail and wholesale of shoes	<b>88,277</b>	180,899
Contract manufacturing of shoes	<b>(7,681)</b>	(8,564)
Retail of toys	<b>(52,462)</b>	(59,032)
	<hr/>	<hr/>
	<b>28,134</b>	113,303
	<hr/> <hr/>	<hr/> <hr/>
Gain on disposal of held for sale assets	<b>23,626</b>	–
Finance costs	<b>(43,381)</b>	(18,807)
Net foreign exchange gains (losses)	<b>9,906</b>	(19,932)
Share of loss of an associate	<b>(1,324)</b>	(2,468)
Share of loss of joint ventures	<b>(1,075)</b>	(629)
	<hr/>	<hr/>
Profit before income tax	<b>15,886</b>	71,467
Income tax expense	<b>(28,907)</b>	(32,703)
	<hr/>	<hr/>
Net (loss) profit for the period	<b>(13,021)</b>	38,764
	<hr/> <hr/>	<hr/> <hr/>

### 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:

	<b>At 30 June 2018 RMB'000 (unaudited)</b>	At 31 December 2017 RMB'000 (audited)
<b>Segment assets</b>		
Retail and wholesale of shoes	3,292,857	3,244,405
Contract manufacturing	163,506	437,726
Retail of toys	1,302,625	1,436,346
	<hr/>	<hr/>
Total segment assets	4,758,988	5,118,477
Eliminations	(1,638,946)	(1,833,758)
Unallocated	136,181	675,111
	<hr/>	<hr/>
Total consolidated assets	<b>3,256,223</b>	<b>3,959,830</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Retail and wholesale of shoes	276,608	341,064
Contract manufacturing of shoes	316,504	259,049
Retail of toys	666,386	1,780,310
	<hr/>	<hr/>
Total segment liabilities	1,259,498	2,380,423
Eliminations	(507,520)	(691,660)
Unallocated	432,373	184,674
	<hr/>	<hr/>
Total consolidated liabilities	<b>1,184,351</b>	<b>1,873,437</b>
	<hr/> <hr/>	<hr/> <hr/>



#### 4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Other income and expenses</b>		
Government grants ( <i>note</i> )	15,478	27,547
Interest income on bank deposits	2,539	1,679
Interest income on other financial assets	745	501
Others	5,803	3,031
	<u>24,565</u>	<u>32,758</u>
<b>Other gains and losses</b>		
Net foreign exchange (losses) gains	9,906	(19,932)
	<u>34,471</u>	<u>12,826</u>

*Note:*

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 INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	21,900	26,848
Amortisation (included in administrative and general expenses)		
– prepaid lease payments	192	192
– intangible assets	9,031	7,712
	<u>31,123</u>	<u>34,752</u>
Total depreciation and amortisation		
Capitalised in inventories	(1,767)	(2,876)
	<u>29,356</u>	<u>31,876</u>
Auditor's remuneration	1,443	1,071
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	590,812	507,353
Employee benefits expense	347,959	318,359
	<u>590,812</u>	<u>507,353</u>
	<u>347,959</u>	<u>318,359</u>

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	43,101	30,470
Under (over) provision of income tax expense in prior years		
PRC EIT	688	1,292
Deferred tax charge:		
Current period	(11,319)	941
Over provision in prior year	(3,563)	–
	<u>28,907</u>	<u>32,703</u>

## 7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018 and 30 June 2017.

## 8. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(Loss) Earnings (RMB '000)</b>		
(Loss) Earnings for the purposes of basic and diluted (loss) earnings per share (loss) profit for the period attributable to equity holders of the Company)	<b>(14,097)</b>	<b>39,055</b>
<b>Number of shares ('000)</b>		
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<b>2,077,000</b>	<b>2,077,000</b>
(Loss) Earnings per share (RMB cents)		
– Basic and diluted	<b>(0.68)</b>	<b>1.88</b>

No adjustment for diluted (loss) earnings per share for the periods ended 30 June 2018 and 30 June 2017 as there is no potential dilutive shares in issue.

## 9. GOODWILL

RMB'000

### Cost

At 1 January 2017 (audited)	166,458
Exchange adjustment	(2,463)
	<hr/>
At 31 December 2017	163,995
Exchange adjustment	(2,858)
	<hr/>
At 30 June 2018	161,137
	<hr/>

### Impairment

At 1 January 2017 (audited)	–
Impairment loss recognised in 2017 (note)	(1,558)
	<hr/>
At 31 December 2017	(1,558)
Exchange adjustment	(27)
	<hr/>
At 30 June 2018	(1,585)
	<hr/>

### Carrying Value

At 31 December 2017	<u>162,437</u>
At 30 June 2018	<u>159,552</u>

#### Note:

During the year ended 31 December 2017, the Group closed certain toy stores operated by Hamleys Nordics ApS (“Hamleys Nordics”). The Group had made plans to close down more stores in the near future. As a result, the goodwill arising from the acquisition of Hamleys Nordics was accordingly fully impaired in 2017.

## 10. TRADE RECEIVABLES

The Group allows a credit period of 15 to 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.

	<b>At 30 June 2018 RMB'000 (unaudited)</b>	At 31 December 2017 RMB'000 (audited)
0 to 60 days	<b>286,021</b>	319,516
61 to 180 days	<b>54,520</b>	41,598
181 days to 1 year	<b>12,484</b>	10,657
Over 1 year	<b>19,680</b>	20,502
	<hr/> <b>372,705</b> <hr/> <hr/>	<hr/> 392,273 <hr/> <hr/>

## 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:

	<b>At 30 June 2018 RMB'000 (unaudited)</b>	At 31 December 2017 RMB'000 (audited)
0 to 90 days	<b>195,295</b>	166,402
91 to 180 days	<b>5,414</b>	16,079
181 to 1 year	<b>1,903</b>	643
Over 1 year	<b>782</b>	139
	<hr/> <b>203,394</b> <hr/> <hr/>	<hr/> 183,263 <hr/> <hr/>

## 12. BORROWINGS

	<b>At 30 June 2018 RMB'000 (unaudited)</b>	At 31 December 2017 RMB'000 (audited)
Bank overdrafts	–	29,001
Bank loans	<b>333,532</b>	463,677
Other borrowings	–	653,420
	<b>333,532</b>	1,146,098
Unsecured	–	29,001
Secured bank loan:		
Pledged and guaranteed bank loan	<b>333,532</b>	1,117,097
	<b>333,532</b>	1,146,098
The carrying amounts of the above borrowings are repayable*		
Within one year	<b>260,749</b>	682,421
Within a period of more than one year but not exceeding two years	<b>72,783</b>	–
Within a period of more than two years but not exceeding five years	–	71,876
	<b>333,532</b>	754,297
The carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities) (note)	–	391,801
	<b>333,532</b>	1,146,098
Less: Amounts due within one year shown as:		
Bank borrowings	<b>(260,749)</b>	(1,045,221)
Bank overdrafts	–	(29,001)
Amounts shown under non-current liabilities	<b>72,783</b>	71,876

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

At 30 June 2018, the Group's bank loans of RMB291,377,000 (at 31 December 2017: RMB463,677,000) carried interest at London Interbank Offered Rate ("LIBOR") plus variable rates from 1.4% to 5% per annum (at 31 December 2017: at LIBOR plus variable rate 1.4% to 5% per annum). Interest is reset every three months.

The bank loans of RMB42,155,000 (at 31 December 2017: nil) at 30 June 2018 carry interest rate at 1% per annum for the first six months and 1.5% per annum afterwards.

At 31 December 2017, the bank overdrafts were unsecured and interest free. The Group raised other borrowings from CCB International Asset Management Limited with principal amount of US\$100,000,000 (equivalent to approximately RMB653,420,000) which was guaranteed by Mr. Chen Yixi, the Chairman of the Group.

*Note:*

During the year ended 31 December 2017, 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 borrowing, 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 loan 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 year, the loan 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 were fully repaid during the current interim period.

### **13. PLEDGE OF ASSETS**

At 30 June 2018 and 31 December 2017, the Company's equity interest in the subsidiaries of 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

In the first half of 2018, global economic growth has started to slowdown, creating an overall adverse environment for the retail market. Global political instability has led to increased market volatility; advanced economy growth has decelerated, while the recovery in major commodity-exporting market and developing economies has levelled off. Renminbi has also been weak against the US dollar. In the face of structural challenges coming from the in-bound threats of international brands and cross-border e-commerce, as well as structural problems such as business portfolio, online distorting pricing, and international brands penetration by presence in department stores and online channels, the global environment remained challenging for the footwear industry. As a leading international integrated retailer and the leading retailer of mid-to-premium women's formal and casual footwear in China, C.banner has adopted various strategies in anticipation for possible market downturns, such as diversifying its business to mitigate potential adversities.

On the up side, China has seen a stable consumer and service sector growth amid unstable global economic environment. According to the National Bureau of Statistics, in the period under review, total retail sales has reached RMB16,056.1 billion with a growth rate of 9.3%. Specifically, for the clothing, shoes, hats, needles and textiles category, the retail sales reached RMB665.1 billion, representing a 9.2% growth rate, which also shows that the industry is in slow recovery. Moreover, with increasing disposable income and improving living standards, consumers in China's lower-tier cities and rural areas have seen rising purchasing power, creating a trading-up demand in the market. It is expected that lower-tier markets will be the major driving factor in the foreseeable future, as high-tier markets has already achieved a greater level of saturation.

In comparison to the footwear business, the Company's toys business showed brighter prospects. According to a research conducted by Euromonitor, a market research company, the total retail sales of toys and games in China have soared from RMB111.8 billion in 2012 to RMB276.5 billion in 2017, registering an average annual growth rate of 19.9%. Amid global economic growth deceleration, the outlook for the toy retailing industry in China is expected to show ongoing growth due to increasing disposable income and living quality improvements. The market shows a shift away from the traditional medium-to low-end battery-operated toys, construction sets and decorative toys, and towards innovative electronic toys, intelligent toys, up-market plush toys and decorative cloth toys. In addition, according to the National Health and Family Planning Commission, the number of newborns is predicted to rise to between 17.5 million and 21 million annually during the period. Together with China's steady economic growth, this reflects promising prospects for the toy market.



## **In Challenging Times**

In response to the above challenges, the Company has adopted various strategies to combat the adverse environment. During the period under review, the Company has reinforced its elegant and fashionable brand image, as well as promoted its brand positioning as a leading international integrated retailer and branded group of mid-to-premium women's footwear in China. It has continued to promote the global branding strategy to forge C.banner as an international retail group, and has constructed an innovative, integrated retail platform image for the brand. By expanding Hamleys toys retail business in China, the Company's scope of business is diversified, which has, in turn, enriched the brand portfolio. The toys business has already started generating revenue for the Group in China and being showing great growth potential.

In terms of expansions, the Company continued to be cautious in store expansion. It attaches great importance to optimising proprietary outlets and third-party retail outlets. Consumption experience in offline stores has been enhanced leading to an improved same-store sales growth. The online-to-offline (O2O) strategy has been strengthened for better marketing and branding. The Company has also continued its work on seamless sales system between offline and online sales platform. It is also exploring new offline channels, such as factory stores and multi-brand stores, in order to provide a diverse range of store formats to meet the different needs of consumers. The Company has implemented innovative and interactive marketing strategies online, including the reinforcement of its official WeChat accounts to expand the consumer base, and host a variety of online sales and marketing events. The production line has been rebuilt to enhance production flexibility, so as to accommodate consumers' need for customisation and small-batch production. During the period under review, the Company has strived to optimise the inventory level of outlets and other online platforms through organising attractive sales and joint promotions. The Company believes that rational discounting policies can, at the end, ensure profitability.

## **Extensive Shoes Retail Networks**

After years of development, C.banner has built up an extensive shoes retail networks with a strategic layout of self-developed and licensed brand stores in China's first, second and third-tier cities. The Group has successfully enhanced same store sale growth of offline stores and actively promoted sales of online stores. Looking ahead, C.banner will continue to optimize its retail networks by strategically cooperating with third party retailers such as department stores and shopping malls to increase market presence while further utilizing online platforms to interact with customers and increase brand loyalty.

As always, C.banner will continue to adopt cautious strategies in store expansion. During the period under review, the Group recorded a net reduction of 91 underperforming proprietary retail outlets and 30 third-party outlets. As of 30 June 2018, the Group oversaw a network of 1,571 proprietary retail outlets and 302 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:

Distribution Regions	C.banner		EBLAN		Sundance	MIO		Badgley	naturesun	Licensed	Total
	Proprietary	Third-party	Proprietary	Third-party	Proprietary	Proprietary	Third-party	Mischka	Proprietary	Brands	
	outlets	outlets	outlets	outlets	outlets	outlets	outlets	outlets	outlets	Proprietary	
Northeast	105	27	58	9	14	16	9	1	4	14	257
Beijing	39	16	24	2	8	3	5	1	7	11	116
Tianjin	77	69	28	2	2	5	-	-	9	15	207
Northwest	72	54	35	5	1	-	32	1	6	12	218
Central China	43	15	14	-	1	3	-	-	1	10	87
Eastern China	168	28	81	4	29	37	1	2	32	18	400
Zhejiang	82	3	23	1	2	11	1	1	8	14	146
Shanghai	57	-	17	-	-	3	-	2	14	9	102
Southwest	107	6	26	2	2	10	2	2	-	17	174
Southern China	106	9	17	-	-	13	-	1	10	10	166
<b>Total</b>	<b>856</b>	<b>227</b>	<b>323</b>	<b>25</b>	<b>59</b>	<b>101</b>	<b>50</b>	<b>11</b>	<b>91</b>	<b>130</b>	<b>1,873</b>

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.

## **Hamleys as a Key Growth Driver**

Hamleys operates in 17 countries across the globe and during the period under review, opened 12 new stores globally, comprising 2 proprietary stores and 10 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 the same period, Hamleys also closed 7 stores, comprising 5 proprietary and 2 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, 2018 continues to be one of the most challenging periods in UK retail history. With continuing Brexit uncertainty, macro-economic pressures and continuing erosion in UK consumer confidence, many prominent retailers have entered into company voluntary arrangements and administration. However, the strategic review undertaken by the new appointed Hamleys board in 2017 to consolidate and strengthen the business has delivered significant profit improvement from improved trading, reduced costs and the closure of certain loss making stores. Like-for-like sales growth was positive 1% in the first half of 2018 compared to like-for-like of negative (6%) in the same period last year, leading to market share growth in the first half year of trading.

During the period under review, Hamleys business in China showed impressive growth potential. The flagship stores in Nanjing and Xuzhou have already contributed to the business growth of the Group. The third Hamleys flagship store in China and the largest one in the world so far, which has opened at the end of 2017 in Wangfujing, Beijing, also shows great growth potential. The Hamleys business has been increasing the Group's operational synergy and adding to its competitive strengths through strategic expansion and assets integration. The Group plans to continue to replicate its innovative brand-and-retail dual business model and unique in-store experience in other high population cities in China, so as to gain further share in the market.

A number of the Hamleys international markets experienced their own challenges due to macro-economic factors, however we continue to deliver our international growth plan. To support this growth, we have commenced an exciting new franchise partnership with Bandai Namco Entertainment to enter the market in Japan and plan to open the first two stores in December 2018.

The Hamleys' 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. Despite closing 10 stores in 2017, total group sales grew in the first half of the year. Combined with the strategic actions that have been taken, this has resulted in a 31% increase in profitability in the first half of 2018, and the Group is confident of an improved performance going forward.

As of 30 June 2018, there were a total of 134 Hamleys stores comprising 29 proprietary stores and 105 franchised stores. The following table shows the geographic distribution of these stores:

<b>Country</b>	<b>Proprietary stores</b>	<b>Franchised stores</b>	<b>Total</b>
United Kingdom	26	–	26
China	3	–	3
Czech Republic	–	2	2
Egypt	–	4	4
India	–	53	53
Jordan	–	5	5
Malaysia	–	6	6
Mexico	–	4	4
Philippines	–	2	2
Poland	–	1	1
Qatar	–	1	1
Russia	–	11	11
Saudi Arabia	–	1	1
Singapore	–	2	2
South Africa	–	9	9
Turkey	–	1	1
The United Arab Emirates	–	3	3
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>29</b>	<b>105</b>	<b>134</b>
	<b><u><u>29</u></u></b>	<b><u><u>105</u></u></b>	<b><u><u>134</u></u></b>

## FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group's total revenue increased 2.4% to RMB1,450 million as compared to the same period of last year. Operating profit decreased by approximately 77.8% to RMB15.9 million for the period under review, operating profit margin decrease 3.9% to 1.1% from 5.0% the same period of last year. Profit attributable to equity holder of the Company recorded a loss of RMB14.1 million.

### Revenue

For the six months ended 30 June 2018, the Group's total revenue increased by 2.4% to RMB1,450 million, compared to RMB1,415.8 million in the same period of last year.

The Group's revenue mix comprises income from retail and wholesale of shoes ("Retail and Wholesale"), contract manufacturing of shoes ("Contract Manufacturing") and retail of toys. The revenue distribution of Retail and Wholesale and Contract Manufacturing is set out as follows:

	For the six months ended 30 June 2018		For the six months ended 30 June 2017		% of Growth
	RMB('000)	% of Total Revenue	RMB('000)	% of Total Revenue	
Retail and Wholesale of Shoes	1,066,267	73.5	1,103,321	77.9	-3.4
Contract Manufacturing of Shoes	108,872	7.5	55,846	3.9	95.0
Retail of Toys	274,835	19.0	256,627	18.2	7.1
Total	<u>1,449,974</u>	<u>100.0</u>	<u>1,415,794</u>	<u>100.0</u>	<u>2.4</u>

### Profitability

For the six months ended 30 June 2018, the Group's gross profit decreased 5.4% to RMB859.2 million, a decrease of RMB49.3 million from RMB908.4 million in the same period of last year. For the six months ended 30 June 2018, the gross profit margin was 59.3%.

For the six months ended 30 June 2018, the Group's distribution and selling expenses reached RMB752.7 million, an increase of RMB13 million or 1.8% from the same period of last year. Distribution and selling expenses accounted for 51.9% of total revenue, compared to 52.2% in the same period of last year.

For the six months ended 30 June 2018, the Group's administrative and general expenses amounted to RMB102.9 million, an increase of RMB14.7 million or 16.7% from the same period of last year. Administrative and general expenses accounted for 7.1% of the total revenue, compared to 6.2% in the same period of last year.

For the six months ended 30 June 2018, the Group's other income and other gains and losses recorded a net gain of RMB34.5 million, compared to a net gain of RMB12.8 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 2018, the Group recorded finance costs increase 130.7% to RMB43.4 million from RMB18.8 million the same period of last year.

For the six months ended 30 June 2018, the Group's income tax expense decreased by approximately RMB3.8 million or 11.6% to RMB28.9 million, compared to RMB32.7 million in the same period of last year. The decrease was mostly attributed to the decrease in profit before tax.

For the six months ended 30 June 2018, profit attributable to equity holder of the Company recorded a loss of RMB14.1 million, a decrease of RMB53.2 million from profit RMB39.1 million in the same period of last year.

### **Liquid Assets and Financial Resources**

As of 30 June 2018, the Group had bank balances and cash of RMB296.2 million (31 December 2017: RMB540.1 million).

For the six months ended 30 June 2018, net cash from operating activities was RMB17.5 million, a decrease of RMB3.2 million as compared to RMB20.7million in the same period of last year.

For the six months ended 30 June 2018, net cash from investing activities was RMB545 million, compared to net cash used in investing activities of RMB142.8 million during the same period of last year. The inflow was primarily related to the income received from disposal of held for sale assets of RMB569.9 million and redemption of investment in other financial assets of RMB210 million, which was partially offset by cash outflow from the investment in other financial assets.

For the six months ended 30 June 2018, net cash outflows from financing activities was RMB775.9 million, while net cash outflows from financing activities in the same period of last year was RMB7.1 million

As at 30 June 2018, the net current assets of the Group were RMB860.1 million, compared with RMB872.4 million as at 31 December 2017, representing a net decrease of RMB12.4 million or 1.4%.

### **Pledge of Asset**

At 30 June 2018 and 31 December 2017, the Group'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.

## **Capital Commitments**

At 30 June 2018 and 31 December 2017, the Group has no capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

## **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 is mainly denominated in GBP. The Contract Manufacturing accounted for 7.5% of total revenue, while the retail of toys accounted for 19.0% 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 2018, the Group recorded a RMB9.9 million gain from currency exchange, compared to a RMB19.9 million loss 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 2018, the Group had 10,398 employees (31 December 2017: 10,457 employees). In order to retain top-notch 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**

In the first half of 2018, China achieved 6.7% growth in GDP, which was mainly supported by ongoing strong public infrastructure investment, robust consumption growth and strong foreign demand. Although strong consumer spending growth will play a more important role in economy, business investment growth is likely to face further declines in 2018-2019, due to production capacity cuts and stricter pollution controls. However, it is worthy to note that despite of adverse operating conditions, keen competition and shift of consumption behaviour towards e-commerce, it is believed that China will remain to be a promising market for the footwear industry, especially for mid-to-premium brands with reputable and quality products.

The GDP growth is forecasted to be in between 6.2% and 6.8% in 2018. Further changes are expected to be seen in China's economic operations, reinforcing and supporting the steady and sound development momentum. As more households are migrating into the middle-class income brackets, it is expected that consumer complexity will increase, and fashion will form the core of identity for an increasing sophisticated and differentiated consumer base in China. In the comparatively fragmented footwear industry, it is expected that the well-established players will start to gain larger market shares, while smaller brands will be eliminated.

In order to grasp the emerging opportunities, C.banner has entered into a series of cooperation to increase growth momentum. The Group is determined to fully leverage both its retail expertise in China and long-term cooperation with business partners to ensure profitability. The acquisition of Hamleys was a key move in the Company's strategy – the addition of Hamleys has added synergy to its existing business and has equipped the Group with a variety of diversified innovative products and services, thereby enhancing its brand image and exposure. Looking ahead, C.banner will expand Hamleys' business rapidly in China's high population cities through the shared service platform. The Group will partner with large domestic department stores and shopping malls to build Hamleys-themed shopping malls and replicate the unique in-store experience of Hamleys both on the local and international fronts.

Taking in the booming growth of e-commerce, the Group will devote more time and resource to maximise the potential in its seamless sales system. The Group will actively cultivate its online presence to boost sales, enhance brand awareness, as well as to further construct effective offline sales channels for new products and new brands. It will also utilize new interactive media platforms to generate profound, instant and accurate insights toward consumer needs and preferences, so as to promote the brands and provide personalized consumption experience to consumers.

C.banner will continue to implement various strategies to combat market adversities, so as to maintain its leading market position in the women's footwear industry, while also taking measures and initiatives to maximise potential of its other business, such as Hamleys toys business, so as to create the greatest value for shareholders.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: 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 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 Listing Rules for the six months ended 30 June 2018. 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 2018, 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 2018.

## **PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2018 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 2018 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 2018

*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 Director is Mr. MIAO Bingwen; and the independent non-executive Directors are Mr. KWONG Wai Sun Wilson, Mr. LI Xindan, Mr. ZHANG Zhiyong and Mr. Zheng Hongliang.*