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 2016

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company") 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 2016 together with comparative figures for the corresponding period in 2015, are as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**1,502,891**	1,416,161
Gross profit	**908,456**	888,809
Profit before tax	**121,326**	155,440
Income tax expense	**(32,092)**	(44,235)
Net profit attributable to equity holder of the Company	**90,412**	110,985
	%	*%*
Gross profit margin	**60.4**	62.8
Operating profit margin	**8.1**	11.0
Net profit margin	**6.0**	7.8
Earnings per share		
– Basic (RMB cents)	**4.38**	5.55
– Diluted (RMB cents)	**4.38**	5.31

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,502,891**	1,416,161
Cost of sales		**(594,435)**	(527,352)
Gross profit		**908,456**	888,809
Other income and expenses and other gains and losses	*4*	**75,288**	47,997
Distribution and selling expenses		**(741,978)**	(727,784)
Administrative and general expenses		**(99,222)**	(43,625)
Finance costs		**(18,826)**	(10,237)
Share of loss of an associate		**(2,612)**	(917)
Share of profit of a joint venture		**220**	1,197
Profit before tax	*5*	**121,326**	155,440
Income tax expense	*6*	**(32,092)**	(44,235)
Profit for the period		**89,234**	111,205
Other comprehensive expense, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(7,510)**	–
Total comprehensive income for the period		**81,724**	111,205
Profit (loss) for the period attributable to			
Owners of the Company		**90,412**	110,985
Non-controlling interests		**(1,178)**	220
		89,234	111,205
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**83,006**	110,985
Non-controlling interests		**(1,282)**	220
		81,724	111,205
Earnings per share			
– Basic (RMB cents)	*7*	**4.38**	5.55
– Diluted (RMB cents)	*7*	**4.38**	5.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited & restated)
Non-current assets			
Property, plant and equipment		**261,639**	271,399
Prepaid lease payments		**13,621**	13,813
Intangible assets		**870,970**	891,853
Prepayments for intangible assets		**–**	6,362
Goodwill	*8*	**184,504**	182,946
Interest in an associate		**20,250**	22,804
Interest in a joint venture		**6,867**	6,673
Deferred tax assets		**83,349**	86,971
Long-term deposit		**21,238**	21,092
Other financial assets		**–**	70,000
		1,462,438	1,573,913
Current assets			
Inventories		**848,512**	841,127
Trade receivables	*9*	**378,822**	422,557
Other receivables and prepayments		**121,706**	136,870
Held-to-maturity investments		**–**	3,062
Other financial assets		**–**	45,000
Bank balances and cash		**506,980**	385,188
		1,856,020	1,833,804
Current liabilities			
Trade payables	*10*	**188,584**	192,983
Other payables		**137,340**	251,486
Income tax liabilities		**23,965**	26,114
Borrowings	*11*	**158,645**	96,159
Deferred revenue		**22,871**	16,853
Obligation under finance leases		**6,381**	4,247
		537,786	587,842
Net current assets		**1,318,234**	1,245,962
Total assets less current liabilities		**2,780,672**	2,819,875

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2016

	NOTES	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited & restated)
Non-current liability			
Deferred tax liabilities		**155,686**	163,358
Borrowings	*11*	**621,614**	740,092
Obligation under finance leases		**8,511**	7,046
Deferred revenue		**2,924**	214
		788,735	910,710
Net assets		**1,991,937**	1,909,165
Capital and reserves			
Share capital		**209,615**	209,615
Reserves		**1,723,627**	1,641,212
Total equity attributable to owners of the Company		**1,933,242**	1,850,827
Non-controlling interests		**58,695**	58,338
		1,991,937	1,909,165

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Equity attributable to owners of the Company									
	Share capital	Share premium	Shares held under the share award scheme	PRC statutory reserve	Convertible bonds equity reserve	Accumulated profits	Foreign currency translation reserve	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015 (audited)	202,087	480,964	–	203,827	25,427	576,098	–	1,488,403	60,341	1,548,744
Net profit and total comprehensive income for the period	–	–	–	–	–	110,985	–	110,985	220	111,205
At 30 June 2015 (unaudited)	202,087	480,964	–	203,827	25,427	687,083	–	1,599,388	60,561	1,659,949
At 1 January 2016 (audited & restated)	209,615	654,477	(50,345)	232,119	–	805,298	(337)	1,850,827	58,338	1,909,165
Profit (loss) for the period	–	–	–	–	–	90,412	–	90,412	(1,178)	89,234
Other comprehensive expense for the period	–	–	–	–	–	–	(7,406)	(7,406)	(104)	(7,510)
Total comprehensive income (expense) for the period	–	–	–	–	–	90,412	(7,406)	83,006	(1,282)	81,724
Share purchased for the share award scheme	–	–	(591)	–	–	–	–	(591)	–	(591)
Acquisition of a subsidiary *(note 14)*	–	–	–	–	–	–	–	–	739	739
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	900	900
At 30 June 2016 (unaudited)	209,615	654,477	(50,936)	232,119	–	895,710	(7,743)	1,933,242	58,695	1,991,937

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL AND BASIS OF PREPARATION

C.banner International Holdings Limited (the "Company") is an investment holding company, which 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 Stock Exchange of Hong Kong Limited.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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 those 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 makers ("CODM"), the board of directors of the Company, for the purposes of resource allocation and performance assessment. Prior to the Group's acquisition of a 100% interest in Hamleys Global Holdings Limited and its subsidiaries which are engaged in retail of toys, the Group was organised into two segments, retail and wholesale of shoes and contract manufacturing of shoes. As a result of the completion of the acquisition in November 2015, the Group is organised into three segments, (1) retail and wholesale of branded fashion footwear ("Retail and wholesale of shoes"), (2) contract manufacturing of footwear ("Contract manufacturing of shoes") and (3) retail of toys. These segments are the basis on which the Group reports its segment information.

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale of shoes		
– external sales	**1,150,452**	1,292,279
Contract manufacturing of shoes		
– external sales	**111,424**	123,882
– inter-segment sales	**1,905**	491
Retail of toys		
– external sales	**241,015**	–
Segment revenue	**1,504,796**	1,416,652
Eliminations	**(1,905)**	(491)
Group revenue	**1,502,891**	1,416,161
Segment results		
Retail and wholesale of shoes	**131,314**	159,854
Contract manufacturing of shoes	**(6,358)**	(3,301)
Retail of toys	**(20,305)**	–
	104,651	156,553
Investment income from held-to-maturity investments	**107**	451
Gain from changes in fair value of derivative financial instruments	**–**	8,393
Finance costs	**(18,826)**	(10,237)
Net foreign exchange gain	**37,786**	–
Share of loss of an associate	**(2,612)**	(917)
Share of profit of a joint venture	**220**	1,197
Profit before tax	**121,326**	155,440
Income tax expense	**(32,092)**	(44,235)
Net profit for the period	**89,234**	111,205

3. REVENUE AND SEGMENT INFORMATION – continued

Inter-segment sales are charged at prevailing market prices.

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

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited & restated)
Segment assets		
Retail and wholesale of shoes	**3,151,033**	3,136,443
Contract manufacturing	**496,321**	452,028
Retail of toys	**1,103,432**	1,210,009
Total segment assets	**4,750,786**	4,798,480
Eliminations	**(1,720,015)**	(1,802,494)
Unallocated	**287,687**	411,731
Total consolidated assets	**3,318,458**	3,407,717
Segment liabilities		
Retail and wholesale of shoes	**169,203**	212,241
Contract manufacturing of shoes	**282,328**	245,243
Retail of toys	**398,938**	462,491
Total segment liabilities	**850,469**	919,975
Eliminations	**(483,858)**	(447,146)
Unallocated	**959,910**	1,025,723
Total consolidated liabilities	**1,326,521**	1,498,552

To better assess the performance of each operating segments, goodwill arising from the acquisition of Hamleys Global Holdings Limited and its subsidiaries as well as bank borrowings were moved out from segment retail of toys to unallocated assets and liabilities during the current period. The comparative figures were restated correspondingly.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Government grants *(note)*	**33,240**	30,840
Interest income on bank deposits	**1,213**	2,575
Interest income on other financial assets	**52**	3,638
Others	**2,890**	1,345
	37,395	38,398
Other gains and losses		
Investment income from held-to-maturity investments	**107**	451
Gain from changes in fair value of embedded derivative financial instruments	**–**	8,393
Net foreign exchange gains	**37,786**	755
	37,893	9,599
	75,288	47,997

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 TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**34,430**	25,166
Amortisation		
– prepaid lease payments	**192**	192
– other intangible assets	**11,432**	732
Total depreciation and amortisation	**46,054**	26,090
Capitalised in inventories	**(6,086)**	(3,356)
	39,968	22,734
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	**594,435**	527,352

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**34,135**	45,580
Under (over) provision of income tax expense in prior years		
PRC EIT	**1,319**	2,201
UK profits tax	**(3,656)**	–
Deferred tax charge (credit):		
Current period	**294**	(3,546)
	32,092	44,235

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Earnings *(RMB'000)*		
Earnings for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	**90,412**	110,985
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments embedded in convertible bonds	**–**	(8,393)
Effective interest expense on convertible bonds	**–**	8,821
Earnings for the purposes of diluted earnings per share	**90,412**	111,413

7. EARNINGS PER SHARE – continued

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Number of shares *('000)*		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,062,004**	2,000,000
Effect of dilutive potential ordinary shares attributable to convertible bonds	**–**	96,875
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,062,004**	2,096,875
Earnings per share *(RMB cents)*		
– Basic	**4.38**	5.55
– Diluted	**4.38**	5.31

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

8. GOODWILL

	Amount
	RMB'000
Cost	
At 1 January 2015 (audited) & 30 June 2015 (unaudited)	5,725
Arising on acquisition of subsidiary *(note a)*	177,221
At 31 December 2015 (audited & restated)	182,946
Arising on acquisition of subsidiary *(note b below & note 14)*	1,558
At 30 June 2016 (unaudited)	184,504

Note a:

At the end of the reporting period, goodwill of RMB177,221,000 is related to the Group's acquisition of Hamleys and its subsidiaries in 2015.

8. GOODWILL – continued

In November 2015, the Group acquired the entire issued capital of Hamleys and its subsidiaries (collectively the "Hamleys Group") located in UK for a cash consideration of approximately RMB734,207,000, resulting in a goodwill determined on a provisional basis of RMB491,748,000, as detailed in note 38 of the annual report for the year ended 31 December 2015. During the current interim period, as a result of finalization of the market valuations and other calculations related to the acquisition of Hamleys Group, the amount of goodwill is revised to be RMB177,221,000 as set out in note 14. The difference of RMB314,527,000 previously recognised provisionally as goodwill has been restated and reclassified in the effect that other intangible assets were increased by RMB351,698,000 deferred revenue were decreased by RMB51,619,000, setting off with an corresponding increase in deferred tax liabilities of RMB70,331,000 and a decrease in trade receivables of RMB18,617,000. The comparative figures at 31 December 2015 have been restated as if the initial accounting had been completed from the acquisition date. There was no material impact to the profit or loss for the year ended 31 December 2015.

As at 1 January 2016, the following items are restated:

	Originally stated *RMB'000*	**Restated** *RMB'000*
Other intangible assets	540,155	891,853
Deferred tax liability	(93,027)	(163,358)
Trade receivables	441,174	422,557
Deferred revenue	(68,686)	(17,067)
Foreign currency translation reserve	(179)	(337)
Goodwill	497,473	182,946

Note b:

In January 2016, the Group acquired 80% of the issued share capital of HScan Holding ApS (the "HSCAN") for a cash consideration of RMB4,514,000, resulting in a goodwill of RMB1,558,000, details of which are set out in note 14.

9. TRADE RECEIVABLES

The Group generally allows a credit period of 60 days to customers. Certain trade receivables which are past due are interest bearing.

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

	At 30 June 2016 ***RMB'000*** **(unaudited)**	At 31 December 2015 *RMB'000* (audited & restated)
0 to 60 days	**291,679**	329,624
61 to 180 days	**53,207**	67,877
181 days to 1 year	**12,395**	12,759
Over 1 year	**21,541**	12,297
	378,822	422,557

10. TRADE PAYABLES

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

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**160,041**	163,838
91 to 180 days	**27,785**	28,599
181 to 1 year	**606**	432
Over 1 year	**152**	114
	188,584	192,983

11. BORROWINGS

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Secured bank loan:		
Pledged and guaranteed bank loan	**780,259**	836,251
The carrying amounts of the above borrowings are repayable*		
Within one year	**158,645**	96,159
Within a period of more than one year but not exceeding two years	**139,383**	74,840
Within a period of more than two years but not exceeding five years	**482,231**	665,252
	780,259	836,251
Less: Amounts due within one year shown under current liabilities	**(158,645)**	(96,159)
Amounts shown under non-current liabilities	**621,614**	740,092

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

At 30 June 2016, the Company's borrowings carry interest at London Interbank Offered Rate ("LIBOR") plus variable rate from 1.5% to 5% per annum. Interest rates are reset every three months (at 31 December 2015: LIBOR plus variable rate from 1.5% to 5%).

Details of the assets pledged by the Group at the end of the reporting period are set in note 13.

12. DIVIDENDS

During the six months ended 30 June 2016 and 2015, no dividend in respect of the years ended 31 December 2015 and 2014 was declared and distributed.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 and 2015.

13. PLEDGE OF ASSETS

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Property, plant and equipment	**32,560**	33,817

In addition, at 30 June 2016, the Company's equity interest in Mayflower (Nanjing) Enterprise Limited, Dongguan Mayflower Footwear Corporation Limited, Nanjing soft Garment & Footwear Co., Ltd. and Xuzhou C.banner Footwear Co., Ltd. have been pledged to secure the bank borrowings of the Group.

14. ACQUISITION OF A SUBSIDIARY

At 30 June 2016

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

Assets acquired and liabilities recognized at the date of acquisition

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

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

14. ACQUISITION OF A SUBSIDIARY – continued

At 30 June 2016 – continued

Goodwill arising on acquisition

	14 January 2016
	RMB'000
Consideration transferred	**4,514**
Plus: non-controlling interests (20% in HSCAN)	**739**
Less: fair value of identifiable net assets acquired	**(3,695)**
Goodwill arising on acquisition	**1,558**

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

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

Net cash inflow on acquisition of subsidiary

	RMB'000
Consideration paid in cash	**4,514**
Less: cash and cash equivalent balance acquired	**(7,495)**
	(2,981)

Impact of acquisition on the results of the Group

Included in the profit for the period is a loss of approximately RMB6,534,000 attributable to the HSCAN. Revenue for the period includes approximately RMB8,768,000 in respect of the HSCAN.

At 31 December 2015

On 29 October 2015, the Company and the former owner of Hamleys Group entered into a share sale and purchase agreement and the transaction was completed on 25 November 2015, the Company acquired 100% of the issued share capital of Hamleys Group for a consideration of approximately GBP75,992,000 (approximately equivalent to RMB734,207,000) from independent third party, details of which are set out in a circular "major transaction in relation to acquisition of the entire issued share capital of the target company" dated 22 January 2016 issued by the Company. This acquisition has been accounted for using the acquisition method. The Hamleys Group's principal activities are retail of toys.

Hamleys Group was acquired to pursue a new global branding strategy coupled with a business diversification development plan of the Group.

14. ACQUISITION OF A SUBSIDIARY – continued

At 31 December 2015 – continued

Assets acquired and liabilities recognized at the date of acquisition

	25 November 2015
	RMB'000 (restated)
Current assets	
Inventories	126,893
Trade and other receivables	66,098
Bank balances and cash	16,948
Non-current assets	
Property, plant and equipment	94,263
Intangible assets	889,378
Current liabilities	
Loan from then shareholders	(301,177)
Trade and other payables	(158,195)
Tax payable	(4,479)
Obligation under finance leases – due within 1 year	(4,327)
Non-current liabilities	
Obligation under finance leases – due after 1 year	(7,568)
Deferred tax liabilities	(160,848)
	556,986

The fair value of trade and other receivables at the date of acquisition amounted to RMB66,098,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB84,810,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB66,098,000.

Goodwill arising on acquisition

	25 November 2015
	RMB'000 (restated)
Consideration transferred	734,207
Less: fair value of identifiable net assets acquired	(556,986)
Goodwill arising on acquisition	177,221

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

None of the goodwill arising on the acquisition is expected to be deductible for tax purpose.

Net cash outflow on acquisition of subsidiary

	Year ended 31 December 2015
	RMB'000
Consideration paid in cash	734,207
Less: cash and cash equivalent balance acquired	(16,948)
	717,259

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The economic environment remained difficult and challenging in the first half of 2016, yet the Company has been steadily marching towards its goal of becoming a world-renowned brand. Although those days of chasing tremendous economic growth were over, China still recorded a GDP growth of 6.7% in the first half of 2016 thanks to a wide range of measures and policies, such as "One Belt, One Road", "Deepen Reformation" and "Internet+" rolled out by the central government. Among such initiatives which provide new growth opportunities for Chinese corporations, the launch of "One Belt, One Road" strategy has widened the business horizon of Chinese enterprises by encouraging them to invest overseas. To gain a head start over competitors, the Company has acquired the Hamleys last year, which is one of the largest toys brand in the world, and is planning to open its first Hamleys flagship store in Nanjing this October. Such strategic acquisition will provide a great boost to enhance the Company's overall brand image and exposure.

The changing consumption habits and personalized shopping demands of Chinese consumers, fierce competition from online retailers and international brands, lack of product innovation and high degree of homogeneity have all posed increasing pressure and challenges to traditional women footwear brands. Under such backdrop, low-price strategy alone could hardly stimulate sales and therefore, the Company instead focuses on offering unique positioning products and innovative services, including high-end customized 3D feet scanning services in selected offline stores as we believe that only by offering tailored services can we stand out among competitors. Besides, we proactively innovate the sales mode and successfully build a new factory mode offline.

While the Company continues to build up its competitive strength in the footwear market, we also grasp the enormous potential offered by the toys industry. According to the data from market research company namely Euromonitor, the total retail sales of toys and games in China has registered an average annual growth rate of 12.6% over the past few years and is expected to exceed RMB100 billion by 2017. Along with the rising disposable income of the wage-earning class, the latest two-child policy will also drive up the consumption demand for products and services for children and the toys market which we newly dip into and we will be benefited significantly. We will cooperate with department stores and shopping malls to build Hamleys-themed shopping malls for driving up children consumption.

In the face of the challenging operating and economic environment, the Company has employed a series of strategies to go from strength to strength. One key effort is to reinforce our elegant and fashionable brand image and to promote the brand positioning as a leading international integrated retailer and branded group of mid-to-premium women's footwear in China. We also devoted efforts to further optimize the brand portfolio, focusing on the improvement of product quality and design to meet the needs of consumers. Badgley Mischka, a new mid-premium women's footwear brand, will be launched this year. To seek growth beyond the domestic market, we commenced the global branding strategy aiming to forge C.banner as an international retail group and build it as an innovative integrated retail platform.

Going online is another key tactic to boost business presence. During the reporting period, besides further strengthening O2O (online to offline) strategy for better marketing and brand promotion, the Company also provided diversified online products to meet the changing needs of consumers and implemented interactive marketing strategies through online platform, such as WeChat, Tmall and JD, to widen consumer base. The Company will continue to fully utilize media platforms such as WeChat official account to reach a wide range of consumers, promote brand and provide the latest product information to potential customers. Efforts will continue be made in developing online business and operating online flagship stores on Tmall and JD. In addition, the Company will launch more attractive online sales promotion to further integrate O2O business and explore new online channels to facilitate the implementation of O2O strategies. On the physical front, the Company will continue to renovate stores to provide sensual and fresh shopping experience to customers. Attractive and diversified marking strategies such as VIP member scheme, online and offline sales system, 3D feet scanning services, sales promotion and outdoor advertisements, will also be launched to ensure continued business success. Our one-stop service is another key element of competitive strength as it ensures that our services can best accommodate customers' preference.

On operational level, the Company continued to adopt cautious strategy in store expansion and attached great importance to the optimization of proprietary outlets and third-party retail outlets. Efforts were also made in rebuilding the production line to increase production flexibility and efficiency and to meet the needs of small-batch production and customization. To improve inventory turnover and ensure the Group's profitability, we insisted in implementing rational discounting policy and launched more attractive promotional activities through both online and offline platforms. All the above initiatives, as further described below, are aimed at realizing the ultimate goal of delivering the highest possible rewards to our stakeholders.

Looking Forward to the Growth Rate of Hamleys

Hamleys operates in 22 countries around the world and recorded a 14% increase in sales of international business in the first half of 2016. During the period, Hamleys continued its global expansion programme with 11 stores already opened in countries including India, South Africa, Egypt, Czech Republic and Jordan, and further 29 stores scheduled to be launched in the second half of the year. As the majority of these stores are operated by international franchised partners, no capital outlay is required for the expansion of retail networks. The first flagship store of Hamleys in China will be opened in Nanjing in October this year. It is planned to open Hamleys shopping malls in Beijing, Shanghai and Xuzhou next year. We are looking forward to the international business growth and in China.

C. Banner has already established a professional team for Hamleys in China for developing and operating business in China to grasp the good opportunity arising from the two-child policy promulgated in China.

As of 30 June 2016, the Group operated an aggregate of 19 proprietary outlets and 59 third-party retail outlets of Hamleys. The following table shows the Group's geographic distribution of outlets:

Country	**Proprietary outlets**	**Third-party retail outlets**	**Total**
United Kingdom	12	–	12
Ireland	1	–	1
Finland	1	–	1
Denmark	2	–	2
Sweden	2	–	2
Norway	1	–	1
Cyprus	–	1	1
Czech Republic	–	1	1
Egypt	–	2	2
India	–	20	20
Jordan	–	5	5
Malaysia	–	4	4
Malta	–	1	1
Mexico	–	1	1
Philippine	–	2	2
Russia	–	6	6
Saudi Arabia	–	4	4
Singapore	–	2	2
South Africa	–	5	5
Turkey	–	1	1
The United Arab Emirates	–	3	3
Vietnam	–	1	1
Total	**19**	**59**	**78**

Far-reaching Shoes Retail Network

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

During the period under review, the Group decreased 21 proprietary shoes retail outlets and 11 third-party shoes retail outlets respectively. As of 30 June 2016, the Group oversaw a network of 1,711 proprietary retail outlets and 456 third-party retail outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions.

Under the challenging market environment, same store sales of shoes decreased by 12.4% for the first half of 2016 as compared to the same period last year.

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

	C.banner		EBLAN		Sundance		MIO		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**	**Third-party outlets**	**Total**
Northeast	102	34	64	11	18	2	13	9	35	9	**297**
Beijing	43	18	23	4	13	1	2	7	18	–	**129**
Tianjin	76	83	39	13	10	1	3	1	31	–	**257**
Northwest	72	89	35	14	7	1	–	46	21	–	**285**
Central China	45	20	14	5	2	1	–	3	14	1	**105**
Eastern China	171	31	103	8	49	–	23	–	71	–	**456**
Zhejiang	88	6	27	–	4	–	11	–	30	–	**166**
Shanghai	59	–	17	–	4	–	–	–	27	–	**107**
Southwest	99	13	11	5	5	–	1	3	37	1	**175**
Southern China	106	15	23	1	–	–	4	–	41	–	**190**
Total	**861**	**309**	**356**	**61**	**112**	**6**	**57**	**69**	**325**	**11**	**2,167**

Note:

(1) Northeast region includes Jilin province, Liaoning province and Heilongjiang province;

(2) Beijing region includes Beijing, Inner Mongolia Autonomous Region, Zhangjiakou city and Qinhuangdao city in Hebei province;

(3) Tianjin region includes Tianjin, Shandong province and Hebei province (except Zhangjiakou city and Qinhuangdao city);

(4) Northwest region includes Shanxi province, Shaanxi province, Qinghai province, Gansu province, Henan province, Xinjiang Autonomous Region and Ningxia Autonomous Region;

(5) Central China region includes Hunan province and Hubei province;

(6) Eastern China region includes Jiangsu province (except Wuxi city and Suzhou city), Anhui province and Jiangxi province;

(7) Zhejiang region includes Zhejiang province and Wuxi city and Suzhou city in Jiangsu province;

(8) Shanghai region includes Shanghai;

(9) Southwest region includes Sichuan province, Guizhou province, Yunnan province, Chongqing city and Tibet Autonomous Region; and

(10) Southern China region includes Guangdong province, Hainan province, Guangxi Autonomous Region and Fujian province.

We 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. In the second half of this year, we will start to focus on the implementation and improvement of the online and offline sales mode.

Financial Review

For the six months ended 30 June 2016, the Group's total revenue increased 6.1% to RMB1,502.9 million as compared to the same period of last year. Operating profit decreased by approximately 21.9% to RMB121.3 million for the period under review. Profit attributable to owners of the Company dropped 18.5% to RMB90.4 million as compared to the same period of last year. Without taking consideration of the effect of the seasonal loss of RMB20.3 million suffered by Hamleys, the profit attributable to equity owners of the Company amounted to RMB110.7 million, representing a slight decrease as compared with the same period of last year.

Revenue

For the six months ended 30 June 2016, the Group's total revenue rose by 6.1% to RMB1,502.9 million, compared to RMB1,416.2 million in the same period of last year.

The Group's revenue mix comprises income from retail and wholesale of shoes ("Retail and Wholesale"), contract manufacturing of shoes ("Contract Manufacturing") and retail of toys. For the first half of 2016, revenue from retail of toys amounted to RMB241.0 million. The revenue distribution of Retail and Wholesale and Contract Manufacturing is set out as follows:

	For the six months ended 30 June				
	2016		2015		
	RMB ('000)	**% of Total Revenue**	*RMB ('000)*	% of Total Revenue	**% of Growth**
Retail and wholesale	**1,150,452**	**76.6%**	1,292,279	91.3%	**–11.0%**
Contract manufacturing	**111,424**	**7.4%**	123,882	8.7%	**–10.1%**
Total	**1,261,876**	**84.0%**	1,416,161	100.0%	**–10.9%**

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

Profitability

For the six months ended 30 June 2016, the Group's gross profit increased 2.2% to RMB908.5 million, an increase of RMB19.7 million from RMB888.8 million in the same period of last year. As of 30 June 2016, the gross profit margin was 60.4%.

For the six months ended 30 June 2016, the Group's distribution and selling expenses reached RMB742.0 million, an increase of RMB14.2 million or 2.0% from the same period of last year, which was primarily attributable to advertising and marketing expenses, department store commissions and higher salary and commissions for salespersons. Distribution and selling expenses accounted for 49.4% of total revenue, compared to 51.4% in the same period of last year.

For the six months ended 30 June 2016, the Group's administrative and general expenses amounted to RMB99.2 million, an increase of RMB55.6 million or 127.5% from the same period of last year. The increase is mainly attributable to combined expenses of the toy business which was acquired on 25 November 2015. Administrative and general expenses accounted for 6.6% of the total revenue, compared to 3.1% in the same period of last year.

For the six months ended 30 June 2016, the Group's other income and other gains and losses recorded a net gain of RMB75.3 million, compared to a net gain of RMB48.0 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 2016, the Group recorded finance costs of RMB18.8 million, compared to RMB10.2 million in the same period of last year.

For the six months ended 30 June 2016, the Group's income tax expense decreased by approximately RMB12.1 million or 27.5% to 32.1 million, compared to RMB44.2 million in the same period of last year. The decrease was mostly attributed to the decrease in profit before tax. The effective income tax rate during the period under review was 26.5%, an decrease of 2 percentage points from 28.5% in the same period of last year.

For the six months ended 30 June 2016, profit attributable to owners of the Company decreased by 18.5% to RMB90.4 million, a decrease of RMB20.6 million from RMB111.0 million in the same period of last year.

Liquid Assets and Financial Resources

As of 30 June 2016, the Group had bank balances and cash of RMB507.0 million (31 December 2015: RMB385.2 million).

For the six months ended 30 June 2016, net cash from operating activities was RMB73.8 million, a decrease of RMB11.8 million as compared to RMB85.6 million in the same period of last year.

For the six months ended 30 June 2016, net cash from investing activities was RMB87.7 million, compared to RMB150.5 million during the same period of last year. The inflow was primarily related to the investment in other financial assets of RMB22.0 million and purchase of property, plant and equipment of RMB27.5 million, which was partially offset by redemption of investment in other financial assets of RMB137.0 million and cash inflow from other investing activities.

For the six months ended 30 June 2016, net cash outflows from financing activities was RMB93,000, while net cash outflows from financing activities in the same period of last year was RMB150.0 million.

As at 30 June 2016, the net current assets of the Group were RMB1,318.2 million, compared with RMB1,246.0 million as at 31 December 2015, representing a net increase of RMB72.2 million or 5.8%.

The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 23.5% as at 30 June 2016 compared with 24.5% as at 31 December 2015.

Pledge of Asset

Save as disclosed in note 13 to the consolidated financial statements, the Group has made no further pledge of assets as at 30 June 2016.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2016.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in USD and retail of toys in mainly denominated in GBP. The Contract Manufacturing accounted for 7.4% of total revenue, while the retail of toys accounted for 16.0% 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 2016, the Group recorded a RMB37.8 million gain from currency exchange, compared to a RMB750,000 gain in the same period of last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 30 June 2016, the Group had 12,087 employees (31 December 2015: 13,128 employees). In order to retain top 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 the business performance and their individual work performance.

Outlook

Although the global economy and retail industry remained weak, China's economy will continue to undergo reformation with more stimulus and supports from the government. In the long term, China's structural reform will drive its economy towards the direction of "consumption-driven", which will contribute to the substantial growth momentum of the retail industry, including the footwear market. The footwear market will continue to restructure in the second half of 2016 and face different challenges before recovery. However, the consumption growth in the footwear industry is expected to show positive signs under the background of increasing average disposable income, ongoing process of urbanization and gradually-improving consumer sentiment. As more and more households move into middle-class income category, consumer complexity will increase and fashion will form an integral part of the identity of an increasingly sophisticated Chinese consumer base, which will benefit mid-to-premium brands like us in the long run.

In order to maintain growth momentum under the challenging operating environment, the Company will fully leverage both C.banner's retail expertise in China and long-term cooperation with retail channels. It will expand Hamleys' business rapidly in China through a shared service platform. The first Hamleys flagship store will be opened in October 2016 in Nanjing to provide a variety of diversified children and toys products and services with an innovative concept. Looking forward, the Company will continue to cooperate with large-scale domestic department stores and shopping malls to build Hamleys-themed shopping malls and expand into first-tier cities to generate synergistic effect with C.banner's existing business.

Brand strategy is another key to success. In addition to leveraging on Hamleys' brand to upgrade our overall brand image and brand portfolio to establish an international integrated retail platform, the Company will also introduce new unique positioning products to implement its global brand strategy and increase brand popularity and recognition both in greater China and overseas. With respect to marketing and promotion, the Internet has emerged as a major platform and the Group has always been actively utilizing new media platforms to promote our brand, interact with customers and strengthen their brand loyalty.

We believe that service is also the cornerstone of a successful business and with this in mind, we plan to offer high-end customized 3D feet scanning services in selected offline stores, enrich scenario consumption experience of offline outlets and offer other innovative services based on our profound, instant and accurate insight on consumers' needs and preference. In terms of retail network, except optimizing our existing network and enhancing store efficiency, the Company also spared no efforts to explore areas of cooperation between our existing business with Hamleys to expand our sales network and achieve greater synergy. While the Company will continue to exercise the highest prudence to control cost and inventory level, it is always ready to venture into more possibilities to seek new growth drivers.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (30 June 2015: 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 enquiries with 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 2016.

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 2016. 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 2016, 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 auditors the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2016.

PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2016 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 2016 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, 29 August 2016

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