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C.banner International Holdings Limited
千百度國際控股有限公司

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2018	**2017**
	RMB'000	*RMB'000*
Revenue	**2,923,659**	3,063,524
Gross profit	**1,672,795**	1,863,207
(Loss)/Profit before tax	**(487,515)**	80,906
Income tax credit/(expense)	**14,543**	(64,215)
Net (loss)/profit attributable to equity holder of the Company	**(475,747)**	20,492
	%	*%*
Gross profit margin	**57.2**	60.8
Operating (loss)/profit margin	**(16.7)**	2.6
Net (loss)/profit margin	**(16.3)**	0.7
(Losses)/Earnings per share		
– Basic (RMB cents)	**(22.91)**	1.00
– Diluted (RMB cents)	**(22.91)**	1.00

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows. The consolidated results have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	3	**2,923,659**	3,063,524
Cost of sales		**(1,250,864)**	(1,200,317)
Gross profit		**1,672,795**	1,863,207
Other income and expenses and other gains and losses	4	**(412,930)**	67,350
Distribution and selling expenses		**(1,520,748)**	(1,583,154)
Administrative and general expenses		**(166,359)**	(216,982)
Share of (loss)/profit of an associate		**(3,088)**	14,615
Share of (loss)/profit of joint ventures		**(2,439)**	1,775
Finance costs		**(54,746)**	(65,905)
(Loss)/Profit before income tax		**(487,515)**	80,906
Income tax credit/(expense)	5	**14,543**	(64,215)
(Loss)/Profit for the year	6	**(472,972)**	16,691
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange loss on translation of foreign operations		**(8,965)**	(5,841)
Share of other comprehensive income of an associate		**157**	–
Other comprehensive income for the year		**(8,808)**	(5,841)
Total comprehensive income for the year		**(481,780)**	10,850
(Loss)/Profit for the year attributable to			
Owners of the Company		**(475,747)**	20,492
Non-controlling interests		**2,775**	(3,801)
		(472,972)	16,691
Total comprehensive income attributable to:			
Owners of the Company		**(484,552)**	15,356
Non-controlling interests		**2,772**	(4,506)
		(481,780)	10,850
(Loss)/Earnings per share			
– Basic and diluted (RMB cents)	7	**(22.91)**	1.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**259,811**	270,185
Prepaid lease payments		**12,622**	13,019
Other intangible assets		**542,232**	859,122
Goodwill		**5,725**	162,437
Interest in an associate		**946**	20,242
Interest in joint ventures		**13,219**	16,693
Available-for-sale investment		**–**	10,765
Financial assets at fair value through other comprehensive income		**40,000**	–
Financial assets at fair value through profit or loss		**50,000**	–
Deferred tax assets		**117,788**	86,645
Long-term deposits		**24,324**	21,703
		1,066,667	1,460,811
Current assets			
Inventories		**652,043**	830,131
Trade receivables	*8*	**301,487**	392,273
Other receivables and prepayments		**151,076**	175,025
Interest in joint ventures		**4,731**	5,231
Other financial assets		**–**	10,000
Bank balances and cash		**314,216**	540,059
		1,423,553	1,952,719
Assets classified as held for sale		**–**	546,300
Current liabilities			
Trade payables	*9*	**152,097**	183,263
Other payables		**289,229**	289,675
Current tax liabilities		**14,013**	25,178
Borrowings		**202,446**	1,045,221
Deferred revenue		**25,956**	30,563
Obligations under finance leases		**4,243**	6,444
Provisions		**5,998**	17,269
Bank overdrafts		**25,242**	29,001
		719,224	1,626,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Net current assets		**704,329**	872,405
Total assets less current liabilities		**1,770,996**	2,333,216
Non-current liabilities			
Deferred tax liabilities		**97,073**	159,496
Borrowings		**75,495**	71,876
Obligations under finance leases		**1,740**	3,872
Deferred revenue		**10,932**	11,579
		185,240	246,823
Net assets		**1,585,756**	2,086,393
Capital and reserves			
Share capital	*10*	**209,097**	209,097
Reserves		**1,316,953**	1,822,698
Total equity attributable to owners of the Company		**1,526,050**	2,031,795
Non-controlling interests		**59,706**	54,598
		1,585,756	2,086,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:
For the year ended 31 December 2018

1. GENERAL

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 addresses of registered office and the principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of branded fashion footwear and retail of toys. The Company and its subsidiaries are collectively referred to as the "Group".

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

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

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

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the International Accounting Standard Board ("IASB"), which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

2.2 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective date not yet determined

3. REVENUE AND SEGMENT INFORMATION

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

The following is an analysis of the Group's revenue and results by operating and reportable segments for the year:

	2018	2017
	RMB'000	*RMB'000*
Segment revenue		
Retail and wholesale of shoes		
– external sales	**2,048,973**	2,290,276
Contract manufacturing of shoes		
– external sales	**229,104**	138,506
– inter-segment sales	**12,762**	33,104
Retail of toys		
– external sales	**645,582**	634,742
Segment revenue	**2,936,421**	3,096,628
Eliminations	**(12,762)**	(33,104)
Group revenue	**2,923,659**	3,063,524
Segment results		
Retail and wholesale of shoes	**50,328**	333,501
Contract manufacturing of shoes	**8,752**	(26,407)
Retail of toys	**(33,152)**	(176,673)
	25,928	130,421
Income from disposal of held for sale assets	**23,626**	–
Impairment of an associate	**(16,662)**	–
Impairment of financial assets at fair value through profit or loss	**(10,765)**	–
Impairments of goodwill	**(154,318)**	–
Impairments of other intangible assets	**(295,051)**	–
Finance costs	**(54,746)**	(65,905)
Share of (loss)/profit of an associate	**(3,088)**	14,615
Share of (loss)/profit of joint ventures	**(2,439)**	1,775
(Loss)/Profit before income tax	**(487,515)**	80,906
Income tax credit/(expense)	**14,543**	(64,215)
Net (loss)/profit for the year	**(472,972)**	16,691

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profits earned by each segment and excluding finance costs, share of (loss) profit of an associate, share of profit of joint ventures and income tax credit (expense). This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

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

	2018	2017
	RMB'000	*RMB'000*
Segment assets		
Retail and wholesale of shoes	**1,880,784**	3,244,405
Contract manufacturing of shoes	**440,622**	437,726
Retail of toys	**878,053**	1,436,346
Total segment assets	**3,199,459**	5,118,477
Eliminations	**(845,922)**	(1,833,758)
Unallocated	**136,684**	675,111
Total consolidated assets	**2,490,221**	3,959,830
Segment liabilities		
Retail and wholesale of shoes	**262,547**	341,064
Contract manufacturing of shoes	**128,087**	259,049
Retail of toys	**917,067**	1,780,310
Total segment liabilities	**1,307,701**	2,380,423
Eliminations	**(514,323)**	(691,660)
Unallocated	**111,086**	184,674
Total consolidated liabilities	**904,464**	1,873,437

For the purposes of monitory segment performance and allocating resources between segments, segment assets are allocated to operating segments other than interest in an associate, deferred tax assets, interests in joint ventures and assets classified as held for sale, while all liabilities are allocated to operating segments other than deferred tax liabilities and income tax liabilities.

Other segment information

	Retail and wholesale of shoes *RMB'000*	**Contract manufacturing of shoes** *RMB'000*	**Retail of toys** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2018				
Depreciation expense	19,914	1,094	23,842	44,850
Amortisation of intangible assets	2,867	–	15,723	18,590
Amortisation of prepaid lease payments	397	–	–	397
(Reversal) provision for inventory obsolescence	34,834	(940)	(7,758)	26,136
Share-based payment expense	1,878	–	–	1,878
Purchase of property, plant and equipment	13,325	809	40,779	54,913
Purchase of intangible assets	394	–	2,821	3,215
Impairment loss recognised on goodwill	–	–	154,318	154,318
Impairment loss recognised on other intangible assets	–	–	295,031	295,031
Impairment loss recognise in respect of property, plant and equipment	–	–	6,277	6,277
Gain on deemed disposal of an associate	16,662	–	–	16,662
Impairment loss recognized on Financial assets at fair value through profit or loss	10,765	–	–	10,765
Proceeds from disposal of property, plant and equipment	1,199	42	12,336	13,577
Interest income on bank deposits	(4,948)	(21)	(246)	(5,215)
Interest income on other financial assets	(273)	–	–	(273)

	Retail and wholesale of shoes *RMB'000*	Contract manufacturing of shoes *RMB'000*	Retail of toys *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017				
Depreciation expense	27,833	1,790	33,809	63,432
Amortisation of intangible assets	3,366	86	15,963	19,415
Amortisation of prepaid lease payments	397	–	–	397
(Reversal) provision for inventory obsolescence	(27,877)	1,471	16,934	(9,472)
Purchase of property, plant and equipment	15,131	501	54,943	70,575
Purchase of intangible assets	615	–	7,112	7,727
Impairment loss recognised on goodwill	–	–	1,558	1,558
Impairment loss recognise in respect of property, plant and equipment	–	–	13,444	13,444
Gain on deemed disposal of an associate	3,551	–	–	3,551
Proceeds from disposal of property, plant and equipment	1,331	111	–	1,442
Interest income on bank deposits	(9,135)	(32)	(413)	(9,580)
Interest income on other financial assets	(63)	–	–	(63)

Geographical information

The Group's operations are mainly located in the People's Republic of China ("PRC") and United Kingdom of Great Britain and Northern Ireland. ("UK").

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

	Revenue from external customers	
	2018	2017
	RMB'000	*RMB'000*
PRC	**2,155,150**	2,351,982
UK	**459,347**	420,915
United States of America	**230,228**	139,384
Other countries	**78,934**	151,243
Total	**2,923,659**	3,063,524

	Non-current assets	
	2018	2017
	RMB'000	*RMB'000*
PRC	**323,160**	271,599
UK	**202,227**	599,251
Other countries	**373,492**	503,316

Note: Non-current assets exclude deferred tax assets.

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

4. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants (note)	**27,285**	51,102
Interest income on bank deposits	**5,215**	9,580
Interest income on other financial assets	**273**	63
Others	**6,766**	7,240
	39,539	67,985

	2018	2017
	RMB'000	*RMB'000*
Other gains and losses		
Net foreign exchange (loss)/gain	**(1,806)**	10,816
Gain on deemed disposal of an associate	**–**	3,551
Reversal impairment provision in respect of trade receivables	**8,784**	–
Impairment loss recognized in respect of property, plant and equipment	**(6,277)**	(13,444)
Impairment loss recognized in respect of goodwill	**(154,318)**	(1,558)
Impairment loss recognized in respect of other intangible assets	**(295,051)**	–
Impairment loss recognized in respect of associate	**(16,662)**	–
Impairment loss recognized in respect of other non-current financial assets	**(10,765)**	–
Gains from disposal of held for sale assets	**23,626**	–
	(452,469)	(635)
	(412,930)	67,350

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

5. INCOME TAX (CREDIT)/EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**83,308**	69,108
UK profits tax	**1,190**	656
Under (over) provision of EIT in prior years		
EIT	**(193)**	1,323
UK	**(13,482)**	(5,751)
	70,823	65,336
Deferred tax (credit) charge	**(85,366)**	(1,121)
	(14,543)	64,215

The tax charge for the year ended 31 December 2018 can be reconciled to the profit before tax as follows:

	2018	2017
	RMB'000	*RMB'000*
(Loss)/Profit before tax	**(487,515)**	80,906
Tax at the income tax rate of 25% (2017: 25%)	**(121,879)**	20,227
Tax effect of share of (loss) profit of an associate	**623**	(3,654)
Tax effect of share of profit of joint ventures	**1,377**	(444)
Tax effect of expenses not deductible for tax purpose	**4,210**	15,392
Tax effect of income not taxable for tax purpose	**–**	(17)
Over provision in respect of prior year	**(13,675)**	(4,428)
Tax effect of tax losses not recognised	**32,618**	25,391
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**23,754**	9,781
Tax effect on withholding tax on undistributed profits in the PRC	**(3,562)**	1,967
Tax effect on withholding tax on distributed profits in the PRC	**23,412**	–
Tax effect of impairment loss recognized on goodwill arising from acquisition of a subsidiary	**38,579**	–
Income tax (credit)/expense for the year	**(14,543)**	64,215

6. (LOSS)/PROFIT FOR THE YEAR

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

	2018	2017
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**44,850**	63,432
Amortisation (included in administrative and general expenses)		
– prepaid lease payment	**397**	397
– intangible assets	**18,590**	19,415
Total depreciation and amortization	**63,837**	83,244
Capitalised in inventories	**(5,924)**	(5,402)
	57,913	77,842
Auditors' remuneration	**2,738**	1,750
Employee benefits expense	**702,176**	636,719
Reversal of write-down of inventories to net realisable value	**–**	(9,472)
Write-down of inventories to net realisable value	**26,136**	–
Cost of inventories recognised as an expense	**1,250,864**	1,200,317

7. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
(Loss)/Earnings (RMB'000)		
(Loss)/Earnings for the purposes of calculating basic and diluted earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(475,747)**	20,492
Number of shares ('000)		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the year for the purpose of calculating basic and dilutive (loss)/earnings per share	**2,077,000**	2,057,400
(Loss)/Earnings per share (RMB cents)		
– Basic	**(22.91)**	1.00
– Diluted	**(22.91)**	1.00

The weighted average number of ordinary shares for the purpose of calculating basic and dilutive (losses)/earnings per share were the same. Accordingly, the dilutive (loss)/earnings per share was the same as the basic earnings per share for the year ended 31 December 2018.

8. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Amounts receivable from sales of goods	**311,221**	384,467
Amounts receivable from royalty revenue	**15,448**	7,806
Less: ECL allowance	**(25,182)**	10,657
Total	**301,487**	392,273

The Group allows a credit period of 15-60 days for collection of the trade receivables. Certain trade receivables which are past due are interest bearing. The Group would also allow longer credit period for certain customers with long term relationship.

The following is an aged analysis of trade receivables, presented based on the revenue recognition dates and net of ECL allowance (2017: net of loss allowance) at the end of the reporting period.

	2018	2017
	RMB'000	*RMB'000*
0 to 60 days	**249,122**	319,516
61 to 180 days	**42,043**	41,598
181 days to 1 year	**13,715**	10,657
Over 1 year	**21,789**	20,502
	326,669	392,273

The movement in the ECL allowance (2017: loss allowance) of trade receivables is as follows:

	2018	2017
	RMB'000	*RMB'000*
As at 1 January calculated under IAS 39	**–**	–
Amounts restated through opening retained profits	**30,762**	–
Adjusted as at 1 January calculated under IFRS 9	**–**	–
Amount written-off during the year	**–**	–
ECL/Loss allowance recognised during the year	**–**	–
ECL/Loss allowance reversed during the year	**(8,784)**	–
As at 31 December	**21,978**	–

9. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables for purchases of goods from third parties	**152,097**	183,263

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

	2018	2017
	RMB'000	*RMB'000*
Age		
0 to 90 days	**125,919**	166,402
91 to 180 days	**21,338**	16,079
181 days to 1 year	**4,591**	643
Over 1 year	**249**	139
	152,097	183,263

10. SHARE CAPITAL

	Number of shares	Amount
		USD'000
Ordinary shares of USD0.015 each		
Authorised:		
At 1 January 2017 & 31 December 2017 & 31 December 2018	20,000,000,000	300,000
Issued and fully paid:		
At 1 January 2017 and 31 December 2017	2,077,000,000	31,155
Shares repurchased and cancelled	–	–
At 31 December 2017 and 31 December 2018	2,077,000,000	31,155
Shown in the consolidated statement of financial position		
At 1 January 2017 and 31 December 2017		209,097
At 31 December 2017 and 31 December 2018		209,097

During the year ended 31 December 2018 and 31 December 2017, the Company did not repurchase any shares through the Hong Kong Stock Exchange.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In 2018, trade relations between China and the United States pushed international tension to new heights, resulting in tense market environment. Global economic growth was adversely affected and projected to moderate from 3% in 2018 to 2.9% in 2019, and 2.8% in 2020 to 2021. Due to strong momentum in 2017, global goods trade slowed markedly in the first half of 2018, but has seen partial recovery since. It is, however, expected to grow faster than global GDP due to rising interest rates in advanced economies and economic rebalancing in China, which would contribute to slower global investment and trade growth.

Following the macro environment, industrial production and export growth have decelerated in China, reflecting easing global manufacturing activities. China's import growth continued to outpace export growth, which shows resilient consumption. It is clear that the emergence of New Retail in China is impacting the retail market on a global level.

Under global instability, the footwear industry continued to face challenges in 2018, which were amplified by global political instability and weak RMB against the strong US dollar. However, according to the National Bureau of Statistics, in 2018, total retail sales of consumer goods reported a growth rate of 9.0%; specifically for the clothing, shoes, hats, needles, and textiles category, retail sales was RMB1,370.70 billion, representing a 8.0% growth rate. The footwear market is in slow recovery. It is also going through structural challenges in light of the increased market presence of international brands and cross-border e-commerce. It should be noted, however, that despite adverse operating conditions, China remains to be a promising market for the footwear industry, especially for mid to premium brands with reputable and quality products.

On the other hand, the toy industry shows brighter prospects. Despite global economic slowdown, China's toy retail is expected to see ongoing growth due to increasing disposable income and stronger motives to pursue quality of life. The market also shows a tendency to shift away from traditional medium to low end battery-operated toys, construction sets and decorative toys, and towards innovative upmarket electronic toys, intelligent toys, plush toys and decorative cloth toys. The National Health and Family Planning Commission also expects birth rate to climb in the coming years, meaning that the toys market possesses enormous potential to be developed, while supply is still relatively limited; much of the market remains untapped, such as toys catered for adults, which has an estimated value of RMB20 billion according to the China Toy Association. China's toy retail market is fragmented, meaning that it does not have apparent market leaders. Sales channels shows great variations from shopping centre offering mainly mid to high end international brand toys to supermarkets and hypermarkets offering medium to low priced toys in addition to new sales channels such as online shops.

In Adverse Conditions

Despite apparent challenges from micro and macro environments, the Company was able to adopt timely measures against adverse market conditions to combat and mitigate operational difficulties.

As 'leisure' has become an increasingly important concept in the lives of many Chinese consumers, the leisure shoes market also boomed in recent years with style and comfort as the two main priorities in the sector. Consumers of the market are typically between the age of 18 and 45 who has a higher demand for brand culture and individuality, most of which are students or office workers. In light of the needs of the market, the Company defined a clear brand story complete with high quality products with authentic features to target worldwide customers.

In comparison, high tier markets in the footwear industry are more saturated over years of development; lower tier markets would be the major driving factor in the foreseeable future. The Company has hence shifted its marketing direction to target consumers of common backgrounds with premium designs, quality products, and attractive prices.

With a sophisticated and fashionable brand image as a leading international integrated retailer and branded group of mid to medium women's footwear in China, the Company leverages on its reputation to strengthen customer relationships and market positions. Innovation allows the Company to stay competitive among consumers who expect a trendy inventory. It is dedicated to take on the global fashion industry and commence its branding strategy to forge C.banner as an international retail group with an innovative and integrated retail platform.

With the Company's extensive shoes retail network, the Company was able to stimulate inventory turnover and boost sales of outlets and other online platforms by launching strategic sales and joint promotions at appropriate times. The sales network covers the majority of first, second and third tier cities with bright sales prospects. The broad network of proprietary retail outlets in department stores and shopping malls features the Group's self-developed and licensed brands products in addition to selected authorised distributors.

In the year under review, the Group reduced 245 proprietary shoes retail outlets and 39 third-party shoes retail outlets respectively. The reduction of proprietary shoes retrial outlets, among others, is mainly due to the expiration of certain licensed brand distribution agreements. As of 31 December 2018, the Group oversaw a network of 1,417 proprietary retail outlets and 293 third-party retail outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions. The Group continued to further optimize its 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 in order to enhance same store sales growth of each offline store and actively promote online sales.

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

	C.banner		**EBLAN**		**Sundance**	**MIO**		**Badgley Mischka**	**Natursun**	**Licensed Brands**	
Distribution Regions	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Proprietary outlets	Proprietary outlets	**Total**
Northeast	104	23	47	8	11	14	10	-	4	3	**224**
Beijing	37	16	21	2	7	1	3	1	6	3	**97**
Tianjin	78	69	27	2	1	6	-	1	9	3	**196**
Northwest	68	55	34	6	-	-	33	1	8	4	**209**
Central China	39	16	8	-	1	7	-	1	-	3	**75**
Eastern China	172	28	71	2	22	41	1	3	33	9	**382**
Zhejiang	76	3	19	1	2	12	1	-	8	5	**127**
Shanghai	55	-	16	-	-	4	-	2	14	4	**95**
Southwest	100	2	26	1	-	14	5	3	-	5	**156**
Southern China	96	6	16	-	-	14	-	3	6	8	**149**
Total	**825**	**218**	**285**	**22**	**44**	**113**	**53**	**15**	**88**	**47**	**1,710**

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.

Consolidation for Hamleys

Hamleys operates in 18 countries across the globe and during the year under review, opened 41 new stores globally (including 4 proprietary stores and 37 franchised stores). During the year, Hamleys also closed 12 stores (including 6 proprietary stores and 6 franchised stores).

2018 was another challenging year for UK retail with regular reports of store closures, business failures, job losses and the worst Christmas trading performance for 10 years. However, despite continued market uncertainty and softening consumer demand, Hamleys consistently outperformed the market and delivered profit improvement through relentless execution of its strategic transformation plan.

As a result of the aforementioned, like-for-like sales growth for Hamleys UK in the year under review was 3.5%.

As of 31 December 2018, there were a total of 158 Hamleys stores comprising 30 proprietary stores and 128 franchised stores. The following table shows the geographic distribution of these stores:

Country	**Proprietary stores**	**Franchised stores**	**Total**
United Kingdom	27	–	27
China	3	–	3
Czech Republic	–	2	2
Egypt	–	3	3
India	–	71	71
Japan	–	2	2
Jordan	–	5	5
Malaysia	–	7	7
Mexico	–	6	6
Philippines	–	3	3
Poland	–	1	1
Qatar	–	1	1
Russia	–	9	9
Saudi Arabia	–	1	1
Singapore	–	2	2
South Africa	–	10	10
Turkey	–	1	1
The United Arab Emirates	–	4	4
Total	30	128	158

Strategic Branding Initiatives

Product diversification and enrichment is a core focus for the Company to implement its branding strategy. Each step that the Company has taken during the year under review continues to shape the brand's DNA and enhance its core competitiveness, including continued adjustment of its product range according to the latest market trends.

Recent upgrades to the Company's management system were able to enhance its design capability and reinforce its brand image. Data analyses were carried out on sales data to better interpret latest fashion trends so that the Company can come up with quality new products that better fits target consumers' needs. Led by experienced design directors and design managers, the Company's research and development teams initiate in-house trainings for staff from time to time to enhance the overall designs of all product lines, which will, in turn, reinforce the brand image of the Company.

Exceptional Online and Offline Consumption Experience

Accelerating the optimization of national layout of its proprietary and licensed brands has enhanced the Company's brand awareness, particularly through various online and offline promotion measures.

As O2O concepts continue to take hold in the market, the Company bumped up its effort in online creative marketing strategies to enhance consumers' overall consumption experience. New media platforms such as WeChat official account were used to reach a wider range of consumers and convey marketing information with higher efficiency, including product information and brand promotions. The Company continued to launch various online sales promotions on its online flagship stores to further its O2O initiatives. New online platforms are being explored to identify their business potentials. For the offline consumption experience, the Company continued renovation of its physical stores and implemented marketing strategies such as VIP shopping schemes, sales promotions, outdoor advertisements, production of product catalogues and brochures, which has successfully raised brand awareness of the Company and maintained consumer loyalty.

The Company has built a solid foundation and an extensive retail network over years of development with a strategic layout of self-developed and licensed brand stores in China's first, second and third-tier cities. In the year under review, the Company continued to optimise both its online and offline retail network, carrying out strategic cooperation with third party retailers at the same time to maximise its market share and presence.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group's total revenue decreased by 4.6% to RMB2,923.7 million, compared to the same period of last year. Gross profit decreased by 10.2% to RMB1,672.8 million. The Group recorded the loss before tax of RMB487.5 million, and loss attributable to owners of the Company of RMB475.7 million, respectively. The losses are mainly attributable to the impairment loss recognized in respect of goodwill and other intangible assets.

Revenue

For the year ended 31 December 2018, the Group's total revenue decreased by 4.6% to RMB2,923.7 million, compared to RMB3,063.5 million for 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, Contract Manufacturing and retail of toys is set out as follows:

	For the year ended 31 December				
	2018		2017		
	RMB ('000)	***% of Total Revenue***	*RMB ('000)*	*% of Total Revenue*	*% Growth*
Retail and Wholesale	**2,048,973**	**70.1**	2,290,276	74.8	-10.5
Contract Manufacturing	**229,104**	**7.8**	138,506	4.5	65.4
Retail of Toys	**645,582**	**22.1**	634,742	20.7	1.7
Total	**2,923,659**	**100**	3,063,524	100	-4.6

The decrease in Retail and Wholesale is mainly attributable to the decrease in same store sales of shoes as compared with last year, the closure of inefficient shoes outlets and the expiration of certain licensed brand distribution agreements.

Profitability

For the year ended 31 December 2018, the gross profit decreased by 10.2% from approximately RMB1,863.2 million in 2017 to approximately RMB1,672.8 million, the gross profit margin was 57.2%, a decline of 3.6 percentage points from 60.8% in last year.

For the year ended 31 December 2018, distribution and selling expenses amounted to RMB1,520.7 million, a decrease of 3.9%, compared to expenses of RMB1,583.2 million last year. Distribution and selling expenses accounted for 52.0% of total revenue, compared to 51.7% in last year.

For the year ended 31 December 2018, administrative and general expenses amounted to RMB166.4 million, a decrease of RMB50.6 million compared to the same period of last year. This decrease was mainly attributable to the closure of certain toy stores operated by Hamleys Nordic by the Group in the year of 2017. Administrative and general expenses accounted for 5.7% of total revenue, compared to 7.1% in last year.

For the year ended 31 December 2018, the Group's other income and expenses and other gains and losses recorded a net loss of RMB412.9 million as compared to a net gain of RMB67.4 million last year. Other income and expenses and other gains and losses mainly included impairment loss recognized in respect of goodwill and other intangible assets, government subsidies, interest income on bank deposits and net foreign exchange gain. The decrease was mainly attributable to the impairment loss recognized in respect of goodwill and other intangible assets, which amount to RMB154.3 million and RMB295.1 million respectively.

For the year ended 31 December 2018, the Group recorded finance costs of RMB54.7 million, compared to RMB65.9 million last year. The decrease was mainly attributable to the decrease in bank borrowings.

For the year ended 31 December 2018, the Group recorded income tax credit of RMB14.5 million, compared to an expense of RMB64.2 million last year. The income tax credit was mostly attributable to the increase of deferred tax credit.

For the year ended 31 December 2018, the Group recorded loss attributable to owners of the Company of RMB475.7 million as compared to profit attributable to owners of the Company of approximately RMB20.5 million recorded in 2017. The loss was mainly attributable to the impairment loss recognized in respect of goodwill and other intangible assets.

Liquid Assets, Financial Resources and Capital Expenditure

As of 31 December 2018, the Group had cash and cash equivalents of RMB314.2 million, compared to RMB540.1 million at the end of last year.

For the year ended 31 December 2018, net cash generated from operating activities was RMB111.1 million, a decrease of RMB3.4 million as compared to RMB114.5 million as of the end of last year.

The Group recorded a net cash inflow of RMB499.3 million from investing activities for the full year, compared to an outflow of RMB631.9 million in 2017. The inflow was primarily due to the income received from disposal of held for sale assets of RMB569.9 million.

Net cash used in financing activities was RMB843.0 million in 2018, compared to a net cash from financing activities of RMB449.1 million in 2017. This was mostly attributable to the repayment of bank borrowings.

As of 31 December 2018, the net current assets of the Group were RMB704.3 million, compared to RMB872.4 million at the end of last year, an decrease of 19.3% or RMB168.1 million.

Gearing ratio

The Group's gearing ratio, computed by dividing total loans and borrowings by total assets, was 12.2% as at 31 December 2018 compared with 28.9% as at 31 December 2017.

Capital structure

The Group's operations were financed mainly by shareholder's equity, bank facilities available to the Group and internal resources. The Group will continue to adopt its treasury policy of placing its cash and cash equivalent as interest bearing deposits. The Group's loans and cash and cash equivalents were mainly denominated in RMB, Hong Kong dollars, GBP and USD. The Group's bank borrowings denominated in USD as at 31 December 2018 amounted to RMB233.3 million.

Pledge of Asset

At 31 December 2018, the Company's equity interest in Mayflower (Nanjing) Enterprise Limited, Dongguan Mayflower Footwear Corporation Limited, Nanjing Soft Garment & Footwear Co., Ltd, Xuzhou C.banner Shoes Limited, Hamleys Global Holdings Limited, Hamleys Toys (China) Co., Ltd and Hamleys Toys (Nanjing) Co., Ltd have been pledged to secure the bank borrowings of the Group.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 2018.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in USD and its retail of toys is mainly denominated in GBP. The Contract Manufacturing accounted for 7.8% of total revenue, while the retail of toys accounted for 22.1% of total revenue. Nevertheless, the Board will keep monitoring the impact of the exchange rate on our business closely and take appropriate measures to mitigate the impact where necessary.

For the year ended 31 December 2018, the Group recorded a RMB1.8 million loss from currency exchange, compared to a RMB10.8 million gain last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2018, the Group had 9,268 employees (31 December 2017: 10,457 employees). The Group provides its employees with competitive remuneration packages including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees according to the business performance and their individual work performance.

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: nil).

Outlook

Supported by ongoing stable public infrastructure investment and sizable consumption, China's GDP growth for 2018 recorded 6.6%., though it should be noted that in 2018 to 2019, business investment growth is likely to suffer further decline due to production capacity cuts and stricter pollution controls, while strong consumer spending growth will play a bigger economic role. As more households move into the middle-class income bracket, it is expected that consumer complexity will increase, and fashion will form a sizeable part of the identity of an increasingly sophisticated Chinese consumer base.

2018 has been a challenging year for the footwear industry. Although leading players in the industry has generally seen an increase in sales, some smaller market participants were wiped out of the industry completely. However, the Company remains cautiously hopeful in the foreseeable future as China's economic operations is shifting gears, and it is expected that these changes will reinforce and support a steady and sound development momentum. The Company will continue to navigate through the harsh market environment with its well established growth momentum.

With its comprehensive retail network comprised of both online and offline platforms, premium consumption experience continues to be a strength of the Company in challenging times. The Company will continue to develop the potentials of its online business, accelerating growth to boost sales and enhance brand awareness. To fully utilise the online-offline synergy, the Company has optimised and upgraded high-end customised 3D feet scanning services in selected offline stores, which can also redirect offline customers to online platforms to achieve true online-offline integration.

The Company's online platforms are also considered to be an effective channel to new product and brand launch. Hence, it will utilise its interactive media platforms to promote its brands to provide personalised consumption experience to consumers, so as to maintain customer loyalty. It is also a window for the Company to generate profound, instant and accurate insights on consumers' needs and preferences. The data also allows the Company to optimise its retail network and identify underperforming stores to save costs and ensure profitability of the Company. These competitive advantages allow the Company to strengthen its retail channels and enrich scenario consumption experience of its physical outlets.

In the future, the Company will continue its branding strategies, retail network expansion, marketing strategies, and operation efficiency enhancements to combat adverse market conditions.

The Company will continue to introduce new distribution channels and achieve horizontal expansion and market share increment through the introduction of new women footwear brands and cooperation with departments store and e-commerce platforms. It will further optimise its offline sales and distribution network and focus on store efficiency and shopping experience enhancement, as well as actively develop its online business and platforms to further drive sales performance.

Innovative online and offline marketing promotion initiatives will be launched to boost sales and enhance its brand influence. The Company's online platforms are an important tool to interact with consumers and strengthen their loyalty to the Company's brands.

Continued enhancements to operating efficiency will improve inventory levels and provide insights for the Company to enhance supply chain management. The Company will continue to seek new growth drivers through the market and will also explore and study areas of cooperation among its existing businesses and other future potential opportunities to achieve greater synergy.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting of the Company to be held on Friday, 28 June 2019, the register of members of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019, both days inclusive, during which period no transfer of share will be registered. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 24 June 2019.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2018. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the Board the accounting standards and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cbanner.com.cn, and the 2018 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. CHEN Yixi, Mr. ZHAO Wei, Mr. HUO Li and Mr. YUAN Zhenhua; the non-executive 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.