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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)

CLARIFICATION ANNOUNCEMENT IN RELATION TO ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND RESUMPTION OF TRADING

Reference is made to the annual results announcement (the “**Results Announcement**”) of C.banner International Holdings Limited (the “**Company**”) dated 29 March 2019. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Results Announcement.

The Company noted that due to calculation error, the impairment loss recognized in respect of other intangible assets of the Company for the year ended 31 December 2018 shall be RMB185,523,000 instead of RMB295,051,000. As such, the financial highlights, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the consolidated statement of financial position as at 31 December 2018 and relevant notes to the financial statements of the Results Announcement shall be as follows (with the corrections underlined):

(1) FINANCIAL HIGHLIGHTS

(set out on page 1 of the Results Announcement)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Loss)/Profit before tax	<u>(377,987)</u>	80,906
Income tax expense	<u>(6,267)</u>	(64,215)
Net (loss)/Profit attributable to equity holder of the Company	<u>(387,029)</u>	20,492
	%	%
Operating (loss)/profit margin	<u>(12.9)</u>	2.6
Net (loss)/profit margin	<u>(13.1)</u>	<u>0.5</u>
(Losses)/Earnings per share		
– Basic (RMB cents)	<u>(18.81)</u>	1.00
– Diluted (RMB cents)	<u>(18.81)</u>	1.00

(2) CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

(set out on page 2 of the Results Announcement)

	<i>Notes</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	3	2,923,659	3,063,524
Cost of sales		<u>(1,250,864)</u>	<u>(1,200,317)</u>
Gross profit		1,672,795	1,863,207
Other income and expenses and other gains and losses	4	<u>(303,402)</u>	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 associates		(3,088)	14,615
Share of (loss)/profit of joint ventures		(2,439)	1,775
Finance costs		<u>(54,746)</u>	<u>(65,905)</u>
(Loss)/Profit before income tax		<u>(377,987)</u>	80,906
<u>Income tax expense</u>	5	<u>(6,267)</u>	<u>(64,215)</u>
(Loss)/Profit for the year	6	<u>(384,254)</u>	16,691
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of foreign operations		(8,965)	(5,841)
Share of other comprehensive income of an associate		<u>157</u>	<u>–</u>
Other comprehensive expenses for the year		<u>(8,808)</u>	<u>(5,841)</u>
Total comprehensive (expenses)/income for the year		<u><u>(393,062)</u></u>	<u><u>10,850</u></u>
(Loss)/Profit for the year attributable to:			
Owners of the Company		<u>(387,029)</u>	20,492
Non-controlling interests		<u>2,775</u>	<u>(3,801)</u>
		<u><u>(384,254)</u></u>	<u><u>16,691</u></u>
Total comprehensive (expenses)/income attributable to:			
Owners of the Company		<u>(395,834)</u>	15,356
Non-controlling interests		<u>2,772</u>	<u>(4,506)</u>
		<u><u>(393,062)</u></u>	<u><u>10,850</u></u>
(Loss)/Earnings per share			
– Basic and diluted (RMB cents)	7	<u><u>(18.81)</u></u>	<u><u>1.00</u></u>

(3) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(set out on pages 3-4 of the Results Announcement)

	<i>Notes</i>	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		259,811	270,185
Prepaid lease payments		12,622	13,019
Other intangible assets		651,760	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	–
Deferred tax assets		117,788	86,645
Long-term deposits		24,324	21,703
		<u>1,126,195</u>	<u>1,460,811</u>
Total assets less current liabilities		<u><u>1,880,524</u></u>	<u><u>2,333,216</u></u>
Non-current liabilities			
Deferred tax liabilities		117,883	159,496
Borrowings		75,495	71,876
Obligations under finance leases-due after one year		1,740	3,872
Deferred revenue		–	11,579
Contract liabilities		10,932	–
		<u>206,050</u>	<u>246,823</u>
Net assets		<u><u>1,674,474</u></u>	<u><u>2,086,393</u></u>
Capital and reserves			
Share capital	<i>10</i>	209,097	209,097
Reserves		<u>1,405,671</u>	<u>1,822,698</u>
Total equity attributable to owners of the Company		<u>1,614,768</u>	2,031,795
Non-controlling interests		59,706	54,598
		<u><u>1,674,474</u></u>	<u><u>2,086,393</u></u>

(4) REVENUE AND SEGMENT INFORMATION
(set out on pages 6-9 of the Results Announcement)

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 <i>RMB'000</i>	2017 <i>RMB'000</i>
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)
	<hr/>	<hr/>
Group revenue	2,923,659	3,063,524
	<hr/> <hr/>	<hr/> <hr/>
Segment results		
Retail and wholesale of shoes	43,795	333,501
	<hr/>	<hr/>
Contract manufacturing of shoes	(30,373)	(26,407)
	<hr/>	<hr/>
Retail of toys	1,471	(176,673)
Less: <u>Impairments of goodwill</u>	<u>(154,318)</u>	–
<u>Impairments of other intangible assets</u>	<u>(185,523)</u>	–
	<u>(338,100)</u>	<u>(176,673)</u>
	<hr/>	<hr/>
	(324,678)	130,421
	<hr/> <hr/>	<hr/> <hr/>
Gain from disposal of held for sale assets	23,626	–
Impairment of an associate	(16,662)	–
Finance costs	(54,746)	(65,905)
Share of (loss)/profit of associate	(3,088)	14,615
Share of (loss)/profit of joint ventures	(2,439)	1,775
(Loss)/Profit before income tax	<u>(377,987)</u>	80,906
Income tax expense	(6,267)	(64,215)
	<hr/>	<hr/>
Net (loss)/profit for the year	(384,254)	16,691
	<hr/> <hr/>	<hr/> <hr/>

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), gain from disposal of held for sale assets and impairment of an associate. 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
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets		
Retail and wholesale of shoes	1,880,784	3,244,405
Contract manufacturing of shoes	440,622	437,726
Retail of toys	<u>987,681</u>	1,436,346
Total segment assets	<u>3,308,987</u>	5,118,477
Eliminations	(845,922)	(1,833,758)
Unallocated	<u>136,683</u>	<u>675,111</u>
Total consolidated assets	<u><u>2,599,748</u></u>	<u>3,959,830</u>
Segment liabilities		
Retail and wholesale of shoes	262,547	341,064
Contract manufacturing of shoes	128,087	259,049
Retail of toys	<u>917,067</u>	<u>1,780,310</u>
Total segment liabilities	1,307,701	2,380,423
Eliminations	(514,323)	(691,660)
Unallocated	<u>111,086</u>	<u>184,674</u>
Total consolidated liabilities	<u><u>904,464</u></u>	<u>1,873,437</u>

For the purposes of monetary 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 <i>RMB'000</i>	Contract manufacturing of shoes <i>RMB'000</i>	Retail of toys <i>RMB'000</i>	Total <i>RMB'000</i>
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
Provision/(Reversal) for inventory obsolescence	34,834	(940)	(7,758)	26,136
Reversal for ECL allowance	(8,784)	–	–	(8,784)
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	–	–	<u>185,523</u>	<u>185,523</u>
Impairment loss recognised in respect of property, plant and equipment	–	–	6,277	6,277
Interest income on bank deposits	(4,948)	(21)	(246)	(5,215)
Interest income on other financial assets	(273)	–	–	(273)

Geographical information

The Group's operations are mainly located in the People's Republic of China (the "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
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	2,155,150	2,351,982
UK	459,347	420,915
The United States of America	230,228	139,384
Other countries	78,934	151,243
Total	<u>2,923,659</u>	<u>3,063,524</u>
	Non-current assets	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	<u>258,836</u>	239,131
UK	<u>311,755</u>	599,251
Other countries	<u>373,492</u>	503,316

Note: Non-current assets exclude a) deferred tax assets, b) financial assets at fair value through other comprehensive income (2017: available-for-sale investment) and c) long-term deposits.

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

(5) OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES
(set out on page 10 of the Results Announcement)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Other gains and losses		
Net foreign exchange (loss)/gain	(1,806)	10,816
Gain on deemed disposal of an associate	–	3,551
Reversal of impairment provision in respect of trade receivables	8,784	–
Impairment loss recognised in respect of property, plant and equipment	(6,277)	(13,444)
Impairment loss recognised in respect of goodwill	(154,318)	(1,558)
Impairment loss recognised in respect of other intangible assets	(185,523)	–
Impairment loss recognised in respect of associate	(16,662)	–
Fair value change on financial assets at fair value through profit or loss	(10,765)	–
Gain from disposal of held for sale assets	23,626	–
	<u>(342,941)</u>	<u>(635)</u>
	<u><u>(303,402)</u></u>	<u><u>67,350</u></u>

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.

(6) INCOME TAX EXPENSE
(set out on page 10-11 of the Results Announcement)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	<u>59,896</u>	69,108
PRC withholding tax	<u>23,412</u>	–
UK profits tax	<u>1,190</u>	656
(Over)/Under provision in prior years		
EIT	<u>(193)</u>	1,323
UK	<u>(13,489)</u>	<u>(5,751)</u>
	<u>70,816</u>	<u>65,336</u>
Deferred tax credit	<u>(64,549)</u>	<u>(1,121)</u>
	<u>6,267</u>	<u>64,215</u>

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
(Loss)/Profit before tax	<u>(377,987)</u>	<u>80,906</u>
Tax at the income tax rate of 25% (2017: 25%)	<u>(94,497)</u>	20,227
Tax effect of share of loss/(profit) of an associate	<u>623</u>	(3,654)
Tax effect of share of profit of joint ventures	<u>1,377</u>	(444)
Tax effect of expenses not deductible for tax purpose	<u>49,468</u>	15,392
Tax effect of income not taxable for tax purpose	–	(17)
Over provision in respect of prior year	<u>(13,682)</u>	(4,428)
Tax effect of tax losses not recognised	<u>19,374</u>	25,391
Effect of different tax rates of group entities		
operating in jurisdictions other than the PRC	<u>23,754</u>	9,781
Tax effect on withholding tax on undistributed profits in the PRC	<u>(3,562)</u>	1,967
Tax effect on withholding tax on distributed profits in the PRC	<u>23,412</u>	–
Income tax <u>expense</u> for the year	<u>6,267</u>	<u>64,215</u>

(7) (LOSS)/PROFIT FOR THE YEAR
(set out on page 11 of the Results Announcement)

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

	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
– other intangible assets	18,590	19,415
	<hr/>	<hr/>
Total depreciation and amortization	63,837	83,244
Capitalised in inventories	(5,924)	(5,402)
	<hr/>	<hr/>
	57,913	77,842
	<hr/> <hr/>	<hr/> <hr/>
Auditors' remuneration	2,738	1,750
Employee benefits expense	702,176	636,719
<u>Share-based payment expense</u>	1,878	–
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
<u>Impairment losses recognised on goodwill</u>	154,318	1,558
<u>Fair value change on financial assets at fair value through</u>		
<u>profit or loss</u>	10,765	–
<u>Impairment loss recognised on other intangible asset</u>	185,523	–
<u>Impairment loss recognised in respect of property,</u>		
<u>plant and equipment</u>	6,277	13,444
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(8) (LOSS)/EARNINGS PER SHARE
(set out on page 12 of the Results Announcement)

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)	<u><u>(387,029)</u></u>	<u><u>20,492</u></u>
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	<u><u>2,058,111</u></u>	2,057,400
(Loss)/Earnings per share (RMB cents)		
– Basic	<u><u>(18.81)</u></u>	<u><u>1.00</u></u>
– Diluted	<u><u>(18.81)</u></u>	<u><u>1.00</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic and dilutive (loss)/earnings per share were the same. Accordingly, the dilutive (loss)/earnings per share was the same as the basic (loss)/earnings per share for the years ended 31 December 2018 and 2017.

The Board would like to clarify that:

- (i) the paragraph in the section headed “Management Discussion and Analysis — Financial Review” on page 20 of the Results Announcement should read as follows:

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 RMB378.0 million, and loss attributable to owners of the Company of RMB387.0 million, respectively. The losses are mainly attributable to the impairment loss recognized in respect of goodwill and other intangible assets.

- (ii) the fourth, sixth and seventh paragraph in the section headed “Management Discussion and Analysis — Profitability” on page 20 to 21 of the Results Announcement should read as follows:

For the year ended 31 December 2018, the Group’s other income and expenses and other gains and losses recorded a net loss of RMB303.4 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 RMB185.5 million respectively.

For the year ended 31 December 2018, the Group recorded income tax expense of RMB6.3 million, compared to an expense of RMB64.2 million last year. The decrease was mostly attributable to the decrease in profit before taxation.

For the year ended 31 December 2018, the Group recorded loss attributable to owners of the Company of RMB387.0 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.

- (iii) the second, third, fourth and fifth paragraph in the section headed “Management Discussion and Analysis — Liquid Assets, Financial Resources and Capital Expenditure” on page 21 of the Results Announcement should read as follows:

For the year ended 31 December 2018, net cash generated from operating activities was RMB169.6 million, an increase of RMB55.1 million as compared to RMB114.5 million as of the end of last year.

The Group recorded a net cash inflow of RMB452.4 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 RMB843.7 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 RMB754.3 million, compared to RMB872.4 million at the end of last year, a decrease of 13.5% or RMB118.1 million.

(iv) the paragraph in the section headed “Management Discussion and Analysis — Gearing ratio” on page 22 of the Results Announcement should read as follows:

The Group’s gearing ratio, computed by dividing total loans and borrowings by total assets, was 11.7% as at 31 December 2018 compared with 28.9% as at 31 December 2017.

Save as stated above, the contents of the Results Announcement remain unchanged. This announcement has been reviewed and approved by the Board and the Company’s audit committee. The figures in respect of the Group’s financial results as set out in this announcement have been agreed by the Company’s auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 1:00 p.m. on Thursday, 25 April 2019 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in shares of the Company with effect from 9:00 a.m. on 29 April 2019.

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

PRC, 26 April 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.