# 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 2020

### 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 2020 together with comparative figures for the corresponding period in 2019, are as follows:

### FINANCIAL HIGHLIGHTS

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Continuing operations** | | |
| Revenue | **676,782** | 988,166 |
| Gross profit | **386,475** | 592,651 |
| (Loss)/profit before income tax | **(22,762)** | 7,488 |
| Income tax expenses | **(943)** | (13,622) |
| Loss for the period from continuing operations | **(23,705)** | (6,134) |
| **Discontinued operation** | | |
| Loss for the period from discontinued operation | **–** | (56,197) |
| **Loss for the period** | **(23,705)** | (62,331) |

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Loss for the period attributable to owners of the Company:** | | |
| – from continuing operations | **(23,343)** | (6,690) |
| – from discontinued operation | **–** | (56,025) |
| | **(23,343)** | (62,715) |
| | *%* | *%* |
| Gross profit margin from continuing operations | **57.1** | 60.0 |
| Operating profit margin from continuing operations | **(3.4)** | 0.8 |
| Net loss margin attributable to owners of the Company from continuing operations | **(3.4)** | (0.7) |
| **Loss per share** | | |
| Basic and diluted loss per share (RMB cents) | | |
| – from continuing operations | **(1.13)** | (0.32) |
| – from discontinued operation | **–** | (2.72) |
| | **(1.13)** | (3.04) |

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

| | Notes | Six months ended 30 June 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **676,782** | 988,166 |
| Cost of sales | | **(290,307)** | (395,515) |
| **Gross profit** | | **386,475** | 592,651 |
| Other income and expenses and other gains and losses | 6 | **25,630** | 27,794 |
| Distribution and selling expenses | | **(371,980)** | (528,419) |
| Administrative and general expenses | | **(59,159)** | (63,910) |
| Share of loss of an associate | | **–** | (549) |
| Share of loss of joint ventures | | **(277)** | (1,369) |
| Finance costs | 7 | **(3,451)** | (18,710) |
| **(Loss)/profit before income tax** | | **(22,762)** | 7,488 |
| Income tax expenses | 8 | **(943)** | (13,622) |
| **Loss for the period from continuing operations** | | **(23,705)** | (6,134) |
| **Discontinued operation** | | | |
| Loss for the period from discontinued operation | | **–** | (56,197) |
| **Loss for the period** | | **(23,705)** | (62,331) |
| **Other comprehensive income/(expenses):** | | | |
| ***Items that may be reclassified to profit or loss:*** | | | |
| Exchange differences on translation of foreign operations | | **–** | 535 |
| Share of other comprehensive income of an associate | | **–** | 19 |
| | | **–** | 554 |
| **Total comprehensive expenses for the period** | | **(23,705)** | (61,777) |

| | Notes | Six months ended 30 June 2020 RMB'000 (unaudited) | 2019 RMB'000 (unaudited) |
|---|---|---|---|
| **Loss for the period attributable to:** | | | |
| Owners of the Company | | | |
| Loss from continuing operations | | **(23,343)** | (6,690) |
| Loss from discontinued operation | | **–** | (56,025) |
| | | **(23,343)** | (62,715) |
| **Non-controlling interests** | | | |
| (Loss)/profit from continuing operations | | **(362)** | 556 |
| Loss from discontinued operation | | **–** | (172) |
| | | **(362)** | 384 |
| **Loss for the period** | | **(23,705)** | (62,331) |
| **Total comprehensive (expenses)/income attributable to:** | | | |
| Owners of the Company | | **(23,343)** | (62,161) |
| Non-controlling interests | | **(362)** | 384 |
| | | **(23,705)** | (61,777) |
| **Loss per share** | *10* | | |
| From continuing and discontinued operations | | | |
| – Basic (RMB cents) | | **(1.13)** | (3.04) |
| – Diluted (RMB cents) | | **(1.13)** | (3.04) |
| From continuing operations | | | |
| – Basic (RMB cents) | | **(1.13)** | (0.32) |
| – Diluted (RMB cents) | | **(1.13)** | (0.32) |
| From discontinued operation | | | |
| – Basic (RMB cents) | | **–** | (2.72) |
| – Diluted (RMB cents) | | **–** | (2.72) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **30 June 2020** **RMB'000** **(unaudited)** | 31 December 2019 *RMB'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **32,022** | 160,993 |
| Right-of-use assets | | **128,782** | 152,289 |
| Other intangible assets | | **9,276** | 11,455 |
| Goodwill | | **5,725** | 5,725 |
| Interest in joint ventures | | **7,032** | 7,310 |
| Equity investments at fair value through other comprehensive income | | **–** | 20,000 |
| Deferred tax assets | | **23,180** | 59,103 |
| Long-term deposits and prepayments | | **10,137** | 28,520 |
| | | **216,154** | 445,395 |
| **Current assets** | | | |
| Inventories | | **176,557** | 510,578 |
| Trade receivables | *11* | **188,336** | 286,940 |
| Other receivables and prepayments | | **29,371** | 84,992 |
| Current tax assets | | **681** | 3,619 |
| Financial assets at fair value through profit or loss | | **110,400** | 65,300 |
| Pledged bank deposits | | **–** | 20,000 |
| Bank balances and cash | | **434,113** | 401,057 |
| | | **939,458** | 1,372,486 |
| Assets classified as held for sale | *12* | **532,607** | – |
| | | **1,472,065** | 1,372,486 |
| **Current liabilities** | | | |
| Trade and bills payables | *13* | **113,374** | 127,206 |
| Other payables | | **86,702** | 132,232 |
| Contract liabilities | | **19,563** | 26,932 |
| Lease liabilities | | **42,512** | 40,645 |
| Current tax liabilities | | **2,944** | 6,709 |
| | | **265,095** | 333,724 |
| Liabilities directly associated with assets held for sale | *12* | **30,003** | – |
| | | **295,098** | 333,724 |

| | Notes | 30 June 2020 RMB'000 (unaudited) | 31 December 2019 RMB'000 (audited) |
|---|---|---|---|
| **Net current assets** | | **1,176,967** | 1,038,762 |
| **Total assets less current liabilities** | | **1,393,121** | 1,484,157 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **93,468** | 83,887 |
| | | **93,468** | 83,887 |
| **Net assets** | | **1,299,653** | 1,400,270 |
| **Capital and reserves** | | | |
| Share capital | | **209,097** | 209,097 |
| Reserves | | **1,076,827** | 1,120,714 |
| Total equity attributable to owners of the Company | | **1,285,924** | 1,329,811 |
| Non-controlling interests | | **13,729** | 70,459 |
| **Total equity** | | **1,299,653** | 1,400,270 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Shares held under the share award scheme | PRC statutory reserve | Share-based compensation reserve | Equity investment revaluation reserve | Accumulated profits/ (losses) | Translation reserve | Amounts recognised in other comprehensive expense and accumulated in equity relating to a disposal group | Sub-total | Non-controlling interests | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at 1 January 2019 (audited) | 209,097 | 646,042 | (40,483) | 286,768 | – | – | 559,690 | (46,346) | – | 1,614,768 | 59,706 | 1,674,474 |
| (Loss)/Profit for the period | – | – | – | – | – | – | (62,715) | – | – | (62,715) | 384 | (62,331) |
| Other comprehensive income/ (expenses) for the period | | | | | | | | | | | | |
| – Exchange differences on translation of foreign operation | – | – | – | – | – | – | – | – | 535 | 535 | – | 535 |
| – Share of other comprehensive income of an associate | – | – | – | – | – | – | – | 19 | – | 19 | – | 19 |
| Total comprehensive expenses for the period | – | – | – | – | – | – | (62,715) | 19 | 535 | (62,161) | 384 | (61,777) |
| Transfer of reserve relating to a disposal group classified as held for sale | – | – | – | – | – | – | – | 46,637 | (46,637) | – | – | – |
| At 30 June 2019 (unaudited) | 209,097 | 646,042 | (40,483) | 286,768 | – | – | 496,975 | 310 | (46,102) | 1,552,607 | 60,090 | 1,612,697 |
| **Balance at 1 January 2020 (audited)** | **209,097** | **646,042** | **(40,483)** | **289,495** | **-** | **(20,000)** | **245,483** | **177** | **-** | **1,329,811** | **70,459** | **1,400,270** |
| Loss and total comprehensive expenses for the period | **-** | **-** | **-** | **-** | **-** | **-** | **(23,343)** | **-** | **-** | **(23,343)** | **(362)** | **(23,705)** |
| Disposal of equity investments at fair value through other comprehensive income | **-** | **-** | **-** | **-** | **-** | **20,000** | **(20,000)** | **-** | **-** | **-** | **-** | **-** |
| Acquisition of partial interest in a subsidiary *(Note 14)* | **-** | **-** | **-** | **-** | **-** | **-** | **(20,559)** | **-** | **-** | **(20,559)** | **(39,158)** | **(59,717)** |
| Dividends paid to non-controlling shareholders | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(17,210)** | **(17,210)** |
| Equity-settled share award scheme | **-** | **-** | **-** | **-** | **15** | **-** | **-** | **-** | **-** | **15** | **-** | **15** |
| Transfer of awarded shares upon vesting | **-** | **-** | **278** | **-** | **(15)** | **-** | **(263)** | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2020 (unaudited)** | **209,097** | **646,042** | **(40,205)** | **289,495** | **-** | **-** | **181,318** | **177** | **-** | **1,285,924** | **13,729** | **1,299,653** |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

C.banner International Holdings Limited (the "Company") was incorporated in the Bermuda under the Companies Act as an exempted company with limited liability on 26 April 2002. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Unit 2904, 29th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

## 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior periods.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

## 4. OPERATING SEGMENT INFORMATION

| | **Six months ended 30 June 2020** | | | Six months ended 30 June 2019 | | |
|---|---|---|---|---|---|---|
| | **Continuing operations** | **Discontinued operation** | **Total** | Continuing operations | Discontinued operation | Total |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* |
| | **(unaudited)** | **(unaudited)** | **(unaudited)** | (unaudited) | (unaudited) | (unaudited) |
| **Segment revenue** | | | | | | |
| Retail and wholesale of shoes | | | | | | |
| – external sales | **608,991** | **–** | **608,991** | 820,073 | – | 820,073 |
| – inter-segment sales | **419** | **–** | **419** | – | – | – |
| Contract manufacturing of shoes | | | | | | |
| – external sales | **45,045** | **–** | **45,045** | 115,818 | – | 115,818 |
| – inter-segment sales | **–** | **–** | **–** | 103,288 | – | 103,288 |
| Retail of toys | | | | | | |
| – external sales | **22,746** | **–** | **22,746** | 52,275 | 218,869 | 271,144 |
| Segment revenue | **677,201** | **–** | **677,201** | 1,091,454 | 218,869 | 1,310,323 |
| Eliminations | **(419)** | **–** | **(419)** | (103,288) | – | (103,288) |
| Group revenue | **676,782** | **–** | **676,782** | 988,166 | 218,869 | 1,207,035 |
| **Segment results** | | | | | | |
| Retail and wholesale of shoes | **(8,807)** | **–** | **(8,807)** | 30,864 | – | 30,864 |
| Contract manufacturing of shoes | **(6,385)** | **–** | **(6,385)** | 6,574 | – | 6,574 |
| Retail of toys | **(3,866)** | **–** | **(3,866)** | (10,086) | (31,242) | (41,328) |
| Less: Loss recognised on the remeasurement to fair value | **–** | **–** | **–** | – | (15,265) | (15,265) |
| | **(3,866)** | **–** | **(3,866)** | (10,086) | (46,507) | (56,593) |
| | **(19,058)** | **–** | **(19,058)** | 27,352 | (46,507) | (19,155) |
| Finance costs | **(3,451)** | **–** | **(3,451)** | (18,710) | (21,140) | (39,850) |
| Net foreign exchange gains | **24** | **–** | **24** | 764 | – | 764 |
| Share of loss of associate | **–** | **–** | **–** | (549) | – | (549) |
| Share of loss of joint ventures | **(277)** | **–** | **(277)** | (1,369) | – | (1,369) |
| (Loss)/profit before income tax | **(22,762)** | **–** | **(22,762)** | 7,488 | (67,647) | (60,159) |
| Income tax expense | **(943)** | **–** | **(943)** | (13,622) | 11,450 | (2,172) |
| Loss for the period | **(23,705)** | **–** | **(23,705)** | (6,134) | (56,197) | (62,331) |

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

| | 30 June 2020 | 31 December 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) |
| **Segment assets** | | |
| Retail and wholesale of shoes | **1,783,407** | 1,773,392 |
| Contract manufacturing of shoes | **129,732** | 119,151 |
| Retail of toys | **63,535** | 79,614 |
| Total segment assets | **1,976,674** | 1,972,157 |
| Assets classified as held for sale | **532,607** | – |
| Eliminations | **(962,357)** | (309,607) |
| Unallocated | **141,295** | 155,331 |
| Total consolidated assets | **1,688,219** | 1,817,881 |
| **Segment liabilities** | | |
| Retail and wholesale of shoes | **229,463** | 209,657 |
| Contract manufacturing of shoes | **246,724** | 229,992 |
| Retail of toys | **153,344** | 285,442 |
| Total segment liabilities | **629,531** | 725,091 |
| Liabilities directly associated with assets classified as held for sale | **717,587** | – |
| Eliminations | **(961,494)** | (314,189) |
| Unallocated | **2,942** | 6,709 |
| Total consolidated liabilities | **388,566** | 417,611 |

## 5. REVENUE

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Retail and wholesale of shoes | **608,991** | 820,073 |
| Contract manufacturing of shoes | **45,045** | 115,818 |
| Retail of toys | **22,746** | 271,144 |
| Total revenue | **676,782** | 1,207,035 |
| **Representing** | | |
| Continuing operations | **676,782** | 988,166 |
| Discontinued operation | **–** | 218,869 |
| | **676,782** | 1,207,035 |

Disaggregation of revenue from contracts with customers:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Geographical markets** | | |
| The People's Republic of China (the "PRC") | **631,551** | 869,297 |
| United Kingdom of Great Britain and Northern Ireland | **–** | 176,939 |
| The United States of America | **45,231** | 115,747 |
| Other countries | **–** | 45,052 |
| Total | **676,782** | 1,207,035 |
| **Major products/service** | | |
| Retail and wholesale of branded fashion footwear | **608,991** | 820,073 |
| Contract manufacturing of footwear | **45,045** | 115,818 |
| Retail of toys | **22,746** | 271,144 |
| Total | **676,782** | 1,207,035 |
| **Timing of revenue recognition** | | |
| At a point in time | **676,782** | 1,207,035 |

## 6. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Other income** | | |
| Government grants | **8,661** | 18,657 |
| Interest income on bank deposits | **3,898** | 1,878 |
| Interest income on other financial assets | **35** | 95 |
| Gain on disposal of property, plant and equipment | **94** | – |
| Others | **3,712** | 6,400 |
| | **16,400** | 27,030 |
| **Other gains and losses** | | |
| Net foreign exchange gain | **24** | 764 |
| Reversal of impairment provision in respect of trade receivables | **984** | – |
| Gain on modification of right-of-use assets and lease liabilities | **199** | – |
| Gain on concession of lease payment | **8,023** | – |
| | **9,230** | 764 |
| Total other income and expenses and other gains and losses | **25,630** | 27,794 |

## 7. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Leases interests | **3,451** | 5,832 |
| Interest on borrowings | **–** | 12,878 |
| | **3,451** | 18,710 |

## 8. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current tax – PRC Enterprise Income Tax | | |
| Provision for the period | **768** | 34,475 |
| Over-provision in prior periods | **(2,399)** | (58) |
| | **(1,631)** | 34,417 |
| Current tax – PRC withholding tax | **–** | 2,375 |
| Deferred tax | **2,574** | (23,170) |
| Income tax expenses | **943** | 13,622 |

The Group is not subject to taxation in the Bermuda and the British Virgin Islands ("BVI").

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (six months ended 30 June 2019: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% on the estimated assessable profit during the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong shall be subject to the withholding tax at 5%. Dividend distributed from a PRC subsidiary to a non-PRC tax resident group entity in BVI shall be subject to the withholding tax at 10%.

## 9. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the six months ended 30 June 2020 and 2019.

## 10. LOSS PER SHARE

**From continuing and discontinued operations**

***Basic loss per share***

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB23,343,000 (six months ended 30 June 2019: approximately RMB62,715,000) and the weighted average number of ordinary shares (deducted shares held under the share award scheme of 15,765,000) of 2,061,163,000 (six months ended 30 June 2019: 2,061,126,000) in issue during the period.

***Diluted loss per share***

There was no dilutive potential ordinary shares outstanding for both periods. Accordingly, the diluted loss per share is same as basic loss per share for both periods.

**From continuing operations**

***Basic loss per share***

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the period from continuing operations attributable to owners of the Company of approximately RMB23,343,000 (six months ended 30 June 2019: approximately RMB6,690,000) and the weighted average number of ordinary shares (deducted shares held under the share award scheme of 15,765,000) of 2,061,163,000 (six months ended 30 June 2019: 2,061,126,000) in issue during the period.

***Diluted loss per share***

There was no dilutive potential ordinary shares outstanding for both periods. Accordingly, the diluted loss per share is same as basic loss per share for both periods.

**From discontinued operation**

***Basic loss per share***

The calculation of basic loss per share from discontinued operation attributable to owners of the Company is based on the loss for the period from discontinued operation attributable to owners of the Company of approximately RMB Nil (six months ended 30 June 2019: approximately RMB56,025,000) and the weighted average number of ordinary shares (deducted shares held under the share award scheme of 15,765,000) of 2,061,163,000 (six months ended 30 June 2019: 2,061,126,000) in issue during the period.

***Diluted loss per share***

There was no dilutive potential ordinary shares outstanding for both periods. Accordingly, the diluted loss per share is same as basic loss per share for both periods.

## 11. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The Group would also allow longer credit period for certain customers with long term relationship.

| | **30 June 2020** ***RMB'000*** **(unaudited)** | 31 December 2019 *RMB'000* (audited) |
|---|---|---|
| Trade receivables | **193,441** | 295,473 |
| Provision for loss allowance | **(5,105)** | (8,533) |
| | **188,336** | 286,940 |

The aging analysis of trade receivables, based on the revenue recognition date, and net of allowance, is as follows:

| | **30 June 2020** ***RMB'000*** **(unaudited)** | 31 December 2019 *RMB'000* (audited) |
|---|---|---|
| 0 to 60 days | **160,710** | 198,623 |
| 61 to 180 days | **25,780** | 54,133 |
| 181 days to 1 year | **1,690** | 4,203 |
| Over 1 year | **156** | 29,981 |
| | **188,336** | 286,940 |

## 12. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 18 June 2020, the Company entered into the share purchase agreement with Huaxin Ventures Limited to dispose 100% equity interest in Allied Great International Holdings Limited and its subsidiaries (together the "Disposal Group"). The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. The Disposal Group is included in the Group's retail and wholesale of shoes segment. The majority of the Group's retail and wholesale of shoes business have historically been carried out by the Disposal Group. The Disposal Group's operations will be migrated to a subsidiary of the Group before completion of the disposal.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the Disposal Group classified as held for sale at 30 June 2020 are as follows:

| | *RMB'000* (unaudited) |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | **106,009** |
| Right-of-use assets | **13,316** |
| Other intangible assets | **1,842** |
| Deferred tax assets | **33,349** |
| Long-term deposits and prepayments | **18,452** |
| | **172,968** |
| **Current assets** | |
| Inventories | **221,765** |
| Trade receivables | **22,978** |
| Other receivables and prepayments | **92,779** |
| Bank balances and cash | **22,117** |
| | **359,639** |
| **Assets classified as held for sale** | **532,607** |
| **Current liabilities** | |
| Trade and bills payables | **942** |
| Other payables | **27,946** |
| Contract liabilities | **349** |
| Lease liabilities | **500** |
| | **29,737** |
| **Non-current liabilities** | |
| Lease liabilities | **266** |
| | **266** |
| **Liabilities directly associated with assets held for sale** | **30,003** |
| Net assets of Disposal Group | **502,604** |

## 13. TRADE AND BILLS PAYABLES

| | **30 June 2020** *RMB'000* **(unaudited)** | 31 December 2019 *RMB'000* (audited) |
|---|---|---|
| Trade payables | **113,374** | 107,206 |
| Bills payables | **–** | 20,000 |
| | **113,374** | 127,206 |

The aging analysis of trade payables, based on the invoice date, is as follows:

| | **30 June 2020** *RMB'000* **(unaudited)** | 31 December 2019 *RMB'000* (audited) |
|---|---|---|
| 0 to 90 days | **96,527** | 104,329 |
| 91 to 180 days | **11,073** | 1,987 |
| 181 days to 1 year | **3,630** | 677 |
| Over 1 year | **2,144** | 213 |
| | **113,374** | 107,206 |

## 14. ACQUISITION OF PARTIAL INTEREST IN A SUBSIDIARY

On 17 January 2020, Best Invent Holdings Limited ("Best Invent"), a wholly-owned subsidiary of the Company, and Fortune Title Holdings Limited, Empire Sky Holdings Limited, Goldrun Holdings Limited, Cowinner Limited, Gold Title Limited, Skill Plus Holdings Limited and Well Prosper Holdings Limited (collectively the "Sellers"), entered into a sale and purchase agreement, pursuant to which the Sellers conditionally agreed to sell, and Best Invent conditionally agreed to purchase 28% of the issued share capital of Mega Brilliant International Limited, a non-wholly-owned subsidiary of the Company (the "Target Company"), for a total cash consideration of RMB59,717,391.

As at 30 June 2020, the Company indirectly holds 79% of the issued share capital of the Target Company. The effect of change in the ownership interests of the Target Company on the equity attributable to owners of the Company during the period ended 30 June 2020 were summarised as follows:

| | ***RMB'000*** **(Unaudited)** |
|---|---|
| Decrease in non-controlling interest | **39,158** |
| Consideration paid | **(59,717)** |
| Movement in equity | **(20,559)** |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

Global society and economy have been facing unprecedented challenges brought by the COVID-19 pandemic in the first half of 2020, which continues to impact worldwide in the third quarter. It has had a more negative impact on activity during the period than anticipated. China also saw an unavoidable decline in the first quarter of the year during the coronavirus lockdowns in multiple cities. GDP recorded the biggest contraction in the last four decades. Although individual customers of the Company have cancelled their orders in the Group's factory in Dongguan City, Guangdong in the first quarter, the stores of the Group have resumed full operation since early March.

Despite the blow, the coordinated efforts for epidemic control and profound policies in stimulating economic and social development implemented by the Chinese government have delivered notable results in the quarter coming with restorative growth dynamic. Retail market, which contracted severely in the first two months, has picked up gradually, though a negative growth was recorded during the period under review. In response to the challenges and the adverse business environment, the Company has taken determined efforts in capitalising on its brand influence and resources advantages to foster growth dynamics.

The global footwear market is projected to reach US$530.3 billion by 2027, registering a CAGR of 5.5% from 2020 to 2027. Growing health and fitness awareness among people are among the factors boosting the growth of the footwear market. Notwithstanding the favourable long-term projection, the footwear industry is experiencing a gloomy sentiment and foreseeing a drop in global consumption of 22.5% in 2020.

In China, with COVID-19 restrictions prohibiting brick-and-mortar retail, online shopping is experiencing significant growth. National online retail sales of physical goods registered an increase of 14.3% in the first half of 2020 as compared to the same period last year. The courier sector also saw a growth rate of 22.5% during the same period as business activities resumed. E-commerce has become a driving pillar for economic growth, which is also solidly backed by the immerse base of China's netizen population that hit 904 million as of March this year. The number of online shoppers had grown to 710 million, accounting for 78.6% of the total number of netizens.

The promising market environment comes with challenges. The confluence of competition from online retailers, the fast-changing shopping behaviour and preferences, and unpalatable operating costs such as labour and raw materials, created a formidable marketplace. At the same time, the pandemic has highlighted the importance of digital transformation. Retailers with a strong e-commerce strategy would show more flexibility and adaptability and are therefore more likely to survive an evolving market landscape: a crowded marketplace that is highly fragmented with numerous brands, the vigorous rise of livestreaming in social, entertainment and e-shopping areas which has become an indispensable sales and marketing tools for brands and retailers, the synergised advantage in synthesizing online and offline channels into omnichannel that can offer optimised consumption experience, to name a few.

The footwear market itself is also evolving. Rising awareness regarding physical fitness and personal grooming among millennials are among the key driving forces. Moreover, apparel cultural shift in the workplace at a global level is projected to increase the popularity of athleisure fashion. The global athleisure market size is expected to reach US$257.1 billion by 2026, registering a CAGR of 6.7% from 2019 to 2026. China also sees a shifting trend toward athleisure footwear. Alongside its “All-in-Fitness” policy, the Chinese government launched the Healthy China Action Plan for 2019-2030. These policies and plans aim at encouraging the people to take better care of their health, with this including taking part in sport and fitness activities. With the rising popularity of fitness exercise and demand for stylish, colourful and sports-inspired yet comfortable footwear with affordable pricing and enhanced designs, athleisure is considered to be one of the key trends in the fashion industry as it is the best combination of casual style with health enthusiastic appeal.

**Synergized Brand Strategy and Strengthened Brand Building**

Over the years, the Company has established a robust reputation for quality products that are elegance, charm and fashionable. In response to the changing consumer preferences and market trends, the Company has adopted a strategy with an enhanced focus on and resources in offering products with an affordable and attractive price tag yet trendy and stylish. In addition, the Company has strategically identified athleisure as a rising market trend and has been directing increased resources to tap into the promising market opportunity. Leveraging the self-developed brands including “C.banner”, “EBLAN”, “Sundance”, “MIO”, “BADGLEY MISCHKA” and “Natursun”, the Company implements a multi-brand strategy centred on C.banner to drive the collaborative development of other brands. C.banner has long established its imposing brand value and broad recognition of premium quality in business and business casual footwear. With a diversified family of brands, the Company’s customer base is being expanded to reach a broader market driven by young and glooming consumers who have a varying taste and a stronger inclination to products of high cost-performance value.

The longstanding reputation of the Company as a leading integrated retailer and manufacturer of mid to high-end women’s footwear in China is a valuable asset that lays a solid foundation for sustainable growth. An extensive national retail shop coverage uniquely supports our profound brand values. The Company will continue to bring innovative footwear design to the market, keep up with trends, and constantly offer an edgy, fresh product portfolio.

**Streamlined Research and Development ("R&D") Resources for Product Upgrade**

A sustainable business model, allied with technology and innovation, will confer an advantage over competitors. Today, the fashion industry demands rethinking and re-engineering in change applied to design, materials and production processes. Since the launch of C.banner, the Company's first self-developed brand, we have been dedicated to bringing our consumers trendy and appealing footwear. In response to the evolving market characterised by changing and sophisticated preferences, the Company has taken up the necessary measures. Our Guangzhou R&D centre has undergone structure adjustments during the period under review. Product development and design are strategically integrated to allow a streamlined, coordinated and efficient operation to facilitate product upgrade, which is one of the key focuses. Design, research and marketing resources are further aligned and assimilated to achieve a stronger intrinsic link. This structure adjustment will also add agility and flexibility to our production as a whole, enabling the targeted launch of new products and designs which can be well received.

Furthermore, the Company has adopted advanced design and technology to simplify the production process and improve production efficiency. The R&D department has basically completed the deployment and application of the ERP system in the Company's subordinate factories, and the utilisation efficiency of resources has increased significantly. While maintaining the high quality of products, it has increased the diversity and flexibility of the production lines.

During the period under review, the Group recorded a net reduction of 110 proprietary shoes retail outlets and 30 third-party shoe retail outlets, respectively. As at 30 June 2020, the Group operated a network of 1,104 proprietary retail outlets and 215 third-party retail outlets across China, maintaining a strong presence in 31 provinces, municipalities and autonomous regions across the country. In response to the changing consumption mode and habit, the Group further optimised its retail networks comprising both online and offline stores. The Company strategically cooperated with retailers such as department stores, shopping malls and outlets of varying scale to increase market presence and coverage, and strived to enhance same-store sales growth of each offline store whilst actively promoting online sales.

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

| | C.banner | | EBLAN | | MIO | | Sundance | Badgley Mischka | Natursun | Licensed Brands | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Distribution Regions | Proprietary outlets | Third-party outlets | Proprietary outlets | Third-party outlets | Proprietary outlets | Third-party outlets | Proprietary outlets | Proprietary outlets | Proprietary outlets | Proprietary outlets | Total |
| Northeast | 84 | 19 | 45 | 1 | 17 | 10 | 3 | – | 2 | 2 | 183 |
| Northern China | 124 | 89 | 45 | 1 | 12 | 22 | 3 | 1 | 13 | – | 310 |
| Eastern China | 174 | 22 | 60 | 1 | 52 | 1 | 1 | 3 | 36 | 1 | 351 |
| Shanghai area | 86 | – | 14 | – | 7 | – | – | 2 | 17 | 1 | 127 |
| Southern China | 108 | 12 | 13 | – | 14 | – | – | – | 3 | 2 | 152 |
| Western China | 110 | 19 | 34 | 4 | 11 | 14 | – | 2 | 2 | – | 196 |
| Total | 686 | 161 | 211 | 7 | 113 | 47 | 7 | 8 | 73 | 6 | 1,319 |

*Notes:*

(1) Northeast region includes Jilin province, Liaoning province, Heilongjiang province and Hulunbuir City in Inner Mongolia Autonomous Region;

(2) North China includes Beijing, Tianjin, Inner Mongolia Autonomous Region (except Hulunbuir), Hebei Province, Shanxi Province, Henan Province and Shandong Province;

(3) Eastern China includes Jiangsu Province, Anhui Province and Hubei Province;

(4) Shanghai area includes Shanghai City and Zhejiang Province;

(5) Southern China includes Hunan Province, Jiangxi Province, Fujian Province, Guangdong Province, Hainan Province and Guangxi Autonomous Region; and

(6) Western China includes Shaanxi Province, Qinghai Province, Gansu Province, Xinjiang Autonomous Region and Ningxia Autonomous Region, Sichuan Province, Guizhou Province, Yunnan Province, Chongqing City and Tibet Autonomous Region.

**Reinforcing Marketing Channels with Enhanced E-commerce Presence**

The combination of online resources that empower the extended reach to consumers and the indispensable offline experience is the key to deliver enhanced consumption experience. The Company continues to integrate "New Retail" into its marketing strategies to carry out and develop an omnichannel layout, both online and offline. With regard to online channels, the Company has been strengthening the cooperation with Vipshop, Tmall, and JD.com and actively seeking enhanced and expanded collaboration. At the same time, the Company has been vigorously promoting online marketing efforts including WeChat official accounts, Wechat mini programs, and other social media platforms and modes. We are also investing resources in implementing creative online marketing strategies that are engaging. During the period under review, the President of the Company boldly tried livestreaming to sell products for the first time and has attained a positive response. The Company has set the tasks and endeavours to increase the proportion of online sales to 20% in 2020.

Regarding offline channels, the Company has been strengthening the cooperative relationship with department stores, shopping malls and outlets to foster existing distribution channels. As part of the strategies in operation streamlining and cost control, the directly-operated stores are being optimised and adjusted, and the loss-making stores are being evaluated and closed. The Company is striving to attain gradual increment in online sales to compensate for the impact of store closures on sales performance.

The Company's extensive geographical network of retail outlets, comprising self-developed and licensed brand stores spreading across China's first, second and third-tier cities, give us formidable advantages in reaching customers offline. The efforts in bolstering our online presence will profoundly blend into the Company's existing resources advantage in the "New Retail" Era.

**Strengthening Operational Performance**

During the period under review, the Company has stepped up the efforts in improving customer services and enhancing operational performance. As part of the measures that reinforce the brand's DNA in innovation and resilience, the Company is adapting itself to the trend of fast-fashion and is shortening the time for new product launch. Quantity and type of inventory are being monitored and adjusted dynamically in accordance with feedback from retail ends. The Company aims to reduce the production of non-selling products and increase inventory turnover so that to release the lock-up of capital and increase the liquidity of assets. During the pandemic, the Company has stepped up the sales of inventory and the recovery of accounts receivable, among other measures, in order to recover more cash and maintain a healthy cash position.

**Enhancing Production and Logistics Efficiency**

The Company has always attached great importance to improve productivity and production efficiency. We duly examined and reviewed our production cycles and manufacturing process to seek the room for improvement continually. The Company has taken the following steps in promoting production efficiency:

**Closed-loop production line**

All forming lines in Xuzhou factory have been upgraded and modified to small closed-loop lines. The number of employees in a single production line can be reduced from 55 to 28. Other factories are gradually completing the production line transformation.

**Optimise production methods**

Flexible production modes and methods have been adopted, saving 20% to 30% of production capacity.

**Intelligent production**

Intelligent production of each factory has been further improved. Thanks to the efficient material utilisation of imported advanced equipment, production efficiency has been enhanced significantly.

In order to enhance logistics efficiency, the Company has continued to improve the construction of the warehouses at the regional centre level. The routes from the subordinate factory warehouses to regional centre warehouses have also been rationally adjusted. Moreover, the Company has optimised the Warehouse Management System ("WMS") based on the experience of the previous year. The upgraded system will further improve the efficiency of warehouse operations.

**Adjusting Organisational Structure**

A fast-moving market and changing business landscape requests the ability of swift response and demands a leaner and flatter enterprise structure that can enable a faster flow of information and quicker decision process. The Company diligently reviewed its organisational structure as a whole. At the regional management level, ten distribution regions were consolidated into six. Underperforming stores with little hope of profitability were closed decisively.

Due to the preferential policies provided by the local government in Suining, Xuzhou as well as the abundant labour supply and hence lower wage levels there, the production base in Jiangning, Nanjing has basically ceased production, and our production capacity, logistics and transportation and R&D have been substantially migrated to Suining, Xuzhou.

**Acquiring Further Interest in Mega Brilliant International Limited**

On 17 January 2020, the Company announced the acquisition of 28% of the issued share capital of Mega Brilliant International Limited ("Mega Brilliant"), a non-wholly-owned subsidiary of the Company, from several sellers for a total cash consideration of RMB59,717,391. Mega Brilliant is the holding company of Jiangsu Mega Shoes Co., Ltd. ("Jiangsu Mega"), which is principally engaged in the manufacture and sale of branded fashion footwear and related materials.

Following the acquisition, it is expected that the previous distributorships between the sellers' affiliated footwear distributors and Jiangsu Mega will not be renewed. As a result, Jiangsu Mega will be able to regain the distribution rights in the regions concerned, thereby allowing the Group to centralise and streamline the operation and management of its footwear retail business.

Moreover, with the decrease in minority shareholders' shareholding in Mega Brilliant from 49% to 21% following the acquisition, the portion of Mega Brilliant's profit or loss attributable to non-controlling interests will diminish. Provided that Mega Brilliant continues to be profit-making, from the perspective of the Group's consolidated financial statements, the acquisition is expected to result in an increase in the profit (or a decrease in the loss) attributable to owners of the Company in 2020 and beyond.

The acquisition was completed on 20 January 2020. Upon completion, the Company indirectly holds 79% of the issued share capital of Mega Brilliant.

**Disposing of Allied Great International Holdings Limited**

On 18 June 2020, the Company announced the disposal of the entire issued share capital of Allied Great International Holdings Limited ("Allied Great"), then a wholly-owned subsidiary of the Company, to Huaxin Ventures Limited for a cash consideration of RMB5,000,000. Allied Great is the holding company of Mayflower (Nanjing) Enterprise Limited ("Nanjing Mayflower"), which is principally engaged in the manufacturing and retail of footwear mainly in Nanjing. In connection with such disposal, Nanjing Mayflower also agreed to settle certain trade debts amounting to RMB826,705,000 it owed to various members of the Group.

Following the disposal, the Group will concentrate its production activities in Xuzhou (as opposed to both Nanjing and Xuzhou in the past), thereby saving costs on internal governance, logistics and warehousing. This is also in line with the adjustments to the Group's organisational structure described above, which will allow the Group to take advantage of the lower operating costs in Xuzhou.

**Events After the Reporting Period**

The disposal of the entire issued share capital of Allied Great described above was completed on 31 July 2020. Upon completion, the Company no longer holds any direct or indirect interest in Allied Great and Nanjing Mayflower.

**Outlook**

Since the outbreak of novel coronavirus in mainland China last December, the Chinese government has decisively adopted joint prevention, control and isolation measures. The country has been advancing rapidly out of the epidemic. The latest economic data released have continued to indicate that the Chinese economy is recovering. In June, both the official and Caixin manufacturing Purchasing Manager's Indices showed an expansion in the sector as compared with the previous month. Though modest, the rate of improvement was the strongest recorded since December 2019. However, export work continued to fall amid reports of weak external demand. The possibility of resurgences in local COVID-19 cases, global economic uncertainty and the deteriorating China-U.S. relationship all pose downside risks to China's growth outlook in the second half of 2020.

Looking ahead, the Company will continue to build its global brand image through the gradual implementation of vigorous branding and marketing strategies, retail network optimisation and consolidation, and operation efficiency enhancements to sail through adverse market conditions.

As the trend of comfortable and functional shoes continues to grow, consumers are committed to a healthy lifestyle. They are looking for shoes that are less technical and instead more versatile and every day, driving the mass market appeal for athleisure. With an increase in demand for fancy yet comfortable footwear, enhanced designs of footwear at a competitive price is expected to boost the overall growth of the industry. While providing customers with high-quality products and services, we also focus on listening to their demands and strive to create products that meet the needs of customers to increase customer satisfaction and loyalty. We will continue to strengthen communication and feedback with our suppliers and jointly research and develop new, environmentally friendly materials.

Thriving and appealing design is another core element of footwear that sells. The Company's resources in design, development, and sales and marketing will be closely aligned and coordinated to offer new products that can better tap the changing consumer preferences with the further utilisation of big data collected from online and offline channels.

On the marketing front, the Company will continue to step up and explore the cooperation modes and intensity with various online e-commerce and e-entertainment platforms and channels to keep abreast of the latest consumption trends and models. We will leverage the online-offline synergy to maximise the potentials of its online business and convert offline shoppers into online buying force, in order to accelerate growth and boost sales.

The Company will also continue to enhance operational performance strenuously in inventory control and reduction. We will routinely evaluate and review store performance and implement distribution network optimisation measures to attain a more efficient and cost-effective omnichannel synergy.

Over the years, the Company has established an image of premium product. Our ability to deliver exceptional consumption experience through a comprehensive and complementary online and offline retail network will form our core strength to sail through the challenging market environment. While consolidating its core competitiveness, the Company will continue to explore new growth drivers prudently to unleash the biggest potential of resources advantage.

**FINANCIAL REVIEW**

For the six months ended 30 June 2020, the Group's revenue from continuing operations decreased by 31.5% to RMB676.8 million as compared to the same period of last year. Loss for the period from continuing operations amounted to RMB23.7 million, compared to RMB6.1 million in the same period of last year.

**Revenue**

For the six months ended 30 June 2020, the Group's revenue from continuing operations decreased by 31.5% to RMB676.8 million, compared to RMB998.2 million in the same period of last year.

The Group's revenue from continuing operations 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:

| | **Six months ended 30 June** | | | | |
|---|---|---|---|---|---|
| | **2020** | | 2019 | | |
| | ***RMB ('000)*** | ***% of Total Revenue*** | *RMB ('000)* | *% of Total Revenue* | *% of Growth* |
| Retail and Wholesale | **608,991** | **90.0** | 820,073 | 83.0 | -25.7% |
| Contract Manufacturing | **45,045** | **6.6** | 115,818 | 11.7 | -61.1% |
| Retail of Toys | **22,746** | **3.4** | 52,275 | 5.3 | -56.5% |
| Total | **676,782** | **100** | 988,166 | 100 | -31.5% |

**Profitability**

For the six months ended 30 June 2020, the Group's gross profit decreased by 34.8% to RMB386.5 million, a decrease of RMB206.2 million from RMB592.7 million in the same period of last year. As of 30 June 2020, the gross profit margin was 57.1%.

For the six months ended 30 June 2020, the Group's distribution and selling expenses from continuing operations reached RMB372.0 million, a decrease of RMB156.4 million or decreased by 29.6% from the same period of last year. Distribution and selling expenses accounted for 55.0% of revenue from continuing operations, compared to 53.5% in the same period of last year.

For the six months ended 30 June 2020, the Group's administrative and general expenses from continuing operations amounted to RMB59.2 million, a decrease of RMB4.7 million or 7.4% from the same period of last year. Administrative and general expenses accounted for 8.7% of revenue from continuing operations, compared to 6.5% in the same period of last year.

For the six months ended 30 June 2020, the Group's other income and expenses from continuing operations and other gains and losses recorded a net gain of RMB25.6 million, compared to a net gain of RMB27.8 million in the same period of last year. Other income mainly comes from government grants, foreign exchange gain, and interest income from other financial assets.

For the six months ended 30 June 2020, the Group recorded finance costs of RMB3.5 million, decreased by 81.6% from RMB18.7 million the same period of last year.

For the six months ended 30 June 2020, the Group's income tax expense from continuing operations decreased by approximately RMB12.7 million or 93.4% to RMB0.9 million, compared to RMB13.6 million in the same period of last year. The decrease was mostly attributed to the decrease in profit before tax.

For the six months ended 30 June 2020, profit attributable to equity holder of the Company from continuing operations recorded a loss of RMB23.3 million, decreased by RMB16.6 million compared to the same period of last year.

**Liquid Assets and Financial Resources**

As of 30 June 2020, the Group had bank balances and cash of RMB456.2 million (31 December 2019: RMB401.1 million).

For the six months ended 30 June 2020, net cash generated from operating activities was RMB97.0 million, an increase of RMB118.4 million as compared to net cash used in operating activities of RMB21.4 million in the same period of last year.

For the six months ended 30 June 2020, net cash used in investing activities was RMB16.1 million, compared to net cash used in investing activities of RMB40.0 million during the same period of last year. The outflow was primarily due to the acquisition of certain interests in subsidiaries of RMB59.7 million, which was partially offset by cash inflow from the interests of the pledged bank deposits and bank deposits.

For the six months ended 30 June 2020, net cash outflows from financing activities was RMB25.7 million, while net cash outflows from financing activities in the same period of last year was RMB87.5 million.

As at 30 June 2020, the net current assets of the Group were RMB1,177.0 million, compared with RMB1,038.8 million as at 31 December 2019, representing a net increase of RMB138.2 million or 13.3%.

**Pledge of Asset**

As at 30 June 2020, the Group had no pledged assets. As at 31 December 2019, bills payable of RMB20,000,000 was secured by bank deposits of RMB20,000,000.

**Capital Commitments**

As at 30 June 2020, the Group's capital commitments in respect of new factories that have been contracted but not yet provided in the condensed consolidated financial statements were RMB100.0 million, while there were no related capital commitments as at 31 December 2019. As at 30 June 2020, the Group's capital commitments in respect of intangible assets that have been contracted but not yet provided in the condensed consolidated financial statements were RMB5.6 million, representing a decrease of RMB2.6 million as compared to RMB8.2 million as at 31 December 2019.

**Foreign Exchange Risk Management**

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in USD. The Contract Manufacturing accounted for 6.6% 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 2020, the Group recorded a RMB24,000 gain from currency exchange, compared to RMB764,000 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 2020, the Group had 6,297 employees (31 December 2019: 7,459 employees). In order to retain top-notched talents, the Group offers competitive remuneration packages, including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees with reference to overall business performance and their individual work performance.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") as its own code of conduct regarding Directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2020.

## 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 2020. 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 2020, 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 the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2020.

## PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2020 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 2020 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, 28 August 2020

*As at the date of this announcement, the executive Directors are Mr. CHEN Yixi, Mr. HUO Li, Mr. YUAN Zhenhua, Mr. WAN Xianghua and Mr. WU Weiming; the non-executive Director is Mr. MIAO Bingwen; and the independent non-executive Directors are Mr. KWONG Wai Sun Wilson, Mr. LI Xindan and Mr. ZHENG Hongliang.*