

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

## 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 2021

#### 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 2021 together with comparative figures for the corresponding period in 2020, are as follows:

#### FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	819,622	676,782
Gross profit	492,278	386,475
Profit/(loss) before income tax	58,956	(22,762)
Income tax expenses	(22,452)	(943)
<b>Profit/(loss) for the period</b>	<b>36,504</b>	<b>(23,705)</b>
<b>Profit/(loss) for the period attributable to:</b>		
Owners of the Company	35,789	(23,343)
Non-controlling interests	715	(362)
	<u>36,504</u>	<u>(23,705)</u>
<b>Earnings/(loss) per share</b>		
– Basic (RMB cents)	<u>1.72</u>	<u>(1.13)</u>
– Diluted (RMB cents)	<u>1.72</u>	<u>(1.13)</u>

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

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	5	819,622	676,782
Cost of sales		<u>(327,344)</u>	<u>(290,307)</u>
<b>Gross profit</b>		<b>492,278</b>	386,475
Other income and expenses and other gains and losses	6	32,684	25,630
Distribution and selling expenses		(408,988)	(371,980)
Administrative and general expenses		(56,183)	(59,159)
Share of profit/(loss) of joint ventures		572	(277)
Finance costs	7	<u>(1,407)</u>	<u>(3,451)</u>
<b>Profit/(loss) before income tax</b>		<b>58,956</b>	(22,762)
Income tax expenses	8	<u>(22,452)</u>	<u>(943)</u>
<b>Profit/(loss) for the period</b>		<u><b>36,504</b></u>	<u>(23,705)</u>
<b>Other comprehensive income/(expenses):</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences reclassified to profit or loss on disposal of an associate		<u>(177)</u>	<u>—</u>
		<u>(177)</u>	<u>—</u>
<b>Total comprehensive income/(expenses) for the period</b>		<u><b>36,327</b></u>	<u>(23,705)</u>

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		<b>35,789</b>	(23,343)
Non-controlling interests		<b>715</b>	(362)
		<u><b>36,504</b></u>	<u>(23,705)</u>
<b>Total comprehensive income/(expenses) attributable to:</b>			
Owners of the Company		<b>35,612</b>	(23,343)
Non-controlling interests		<b>715</b>	(362)
		<u><b>36,327</b></u>	<u>(23,705)</u>
<b>Earnings/(loss) per share</b>			
	<i>10</i>		
– Basic (RMB cents)		<u><b>1.72</b></u>	<u>(1.13)</u>
– Diluted (RMB cents)		<u><b>1.72</b></u>	<u>(1.13)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		102,358	64,608
Right-of-use assets		86,164	117,880
Other intangible assets		21,892	23,439
Goodwill		5,725	5,725
Interests in joint ventures		7,045	6,473
Deferred tax assets		54,361	53,884
Long-term deposits, other receivables and prepayments		19,996	176,131
		297,541	448,140
<b>Current assets</b>			
Inventories		431,110	336,813
Trade receivables	11	205,781	202,787
Other receivables and prepayments		310,846	228,005
Current tax assets		2,395	681
Bank balances and cash		493,831	546,391
		1,443,963	1,314,677
<b>Current liabilities</b>			
Trade payables	12	198,362	183,344
Other payables		104,564	148,125
Contract liabilities		23,040	21,506
Lease liabilities		18,893	22,812
Current tax liabilities		7,391	10,590
		352,250	386,377
<b>Net current assets</b>		1,091,713	928,300
<b>Total assets less current liabilities</b>		1,389,254	1,376,440

	<i>Notes</i>	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
<b>Non-current liabilities</b>			
Lease liabilities		<u>25,321</u>	<u>49,162</u>
		<u>25,321</u>	<u>49,162</u>
<b>Net assets</b>		<b><u>1,363,933</u></b>	<b><u>1,327,278</u></b>
<b>Capital and reserves</b>			
Share capital		209,097	209,097
Reserves		<u>1,144,804</u>	<u>1,108,864</u>
Total equity attributable to owners of the Company		<b>1,353,901</b>	1,317,961
Non-controlling interests		<u>10,032</u>	<u>9,317</u>
<b>Total equity</b>		<b><u>1,363,933</u></b>	<b><u>1,327,278</u></b>

## 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	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
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 (unaudited)	-	-	-	-	-	-	(23,343)	-	(23,343)	(362)	(23,705)
Disposal of equity investments at fair value through other comprehensive income (unaudited)	-	-	-	-	-	20,000	(20,000)	-	-	-	-
Acquisition of partial interest in a subsidiary (unaudited)	-	-	-	-	-	-	(20,559)	-	(20,559)	(39,158)	(59,717)
Dividends paid to non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	-	(17,210)	(17,210)
Equity-settled share award scheme (unaudited)	-	-	-	-	15	-	-	-	15	-	15
Transfer of awarded shares upon vesting (unaudited)	-	-	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
Balance at 1 January 2021 (audited)	209,097	646,042	(5,830)	175,389	-	-	293,086	177	1,317,961	9,317	1,327,278
Profit for the period (unaudited)	-	-	-	-	-	-	35,789	-	35,789	715	36,504
Other comprehensive expenses for the period (unaudited)	-	-	-	-	-	-	-	-	-	-	-
- Exchange differences reclassified to profit or loss on disposal of an associate (unaudited)	-	-	-	-	-	-	-	(177)	(177)	-	(177)
Total comprehensive income/(expenses) for the period (unaudited)	-	-	-	-	-	-	35,789	(177)	35,612	715	36,327
Equity-settled share award scheme (unaudited)	-	-	-	-	328	-	-	-	328	-	328
Transfer of awarded shares upon vesting (unaudited)	-	-	5,830	-	(328)	-	(5,502)	-	-	-	-
Transfer (unaudited)	-	-	-	510	-	-	(510)	-	-	-	-
At 30 June 2021 (unaudited)	209,097	646,042	-	175,899	-	-	322,863	-	1,353,901	10,032	1,363,933

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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 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 Company is an investment holding company. Its subsidiaries 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 Standards (“IAS”) 34 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 of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2020 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 2020.

### 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 2021. IFRSs comprise IFRSs, 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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Segment revenue</b>		
Retail and wholesale of shoes		
– external sales	744,870	608,991
– inter-segment sales	9	419
Contract manufacturing of shoes		
– external sales	49,977	45,045
– inter-segment sales	8,542	–
Retail of toys		
– external sales	24,775	22,746
	<u>828,173</u>	<u>677,201</u>
Segment revenue	828,173	677,201
Eliminations	(8,551)	(419)
	<u>819,622</u>	<u>676,782</u>
<b>Segment results</b>		
Retail and wholesale of shoes	63,002	(8,807)
Contract manufacturing of shoes	(5,079)	(6,385)
Retail of toys	756	(3,866)
	<u>58,679</u>	<u>(19,058)</u>
Gain from disposal of an associate	2,358	–
Finance costs	(1,407)	(3,451)
Net foreign exchange (loss)/gain	(1,246)	24
Share of gain/(loss) of joint ventures	572	(277)
	<u>58,956</u>	<u>(22,762)</u>
Profit/(loss) before income tax	58,956	(22,762)
Income tax expense	(22,452)	(943)
	<u>36,504</u>	<u>(23,705)</u>
Profit/(loss) for the period	36,504	(23,705)



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

	<b>30 June 2021</b> <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
<b>Segment assets</b>		
Retail and wholesale of shoes	1,808,360	1,782,968
Contract manufacturing of shoes	131,864	164,215
Retail of toys	17,034	17,142
	<hr/>	<hr/>
Total segment assets	1,957,258	1,964,325
Eliminations	(279,555)	(262,546)
Unallocated	63,801	61,038
	<hr/>	<hr/>
Total consolidated assets	1,741,504	1,762,817
<b>Segment liabilities</b>		
Retail and wholesale of shoes	331,893	352,930
Contract manufacturing of shoes	217,784	235,355
Retail of toys	98,546	98,948
	<hr/>	<hr/>
Total segment liabilities	648,223	687,233
Eliminations	(278,043)	(262,284)
Unallocated	7,391	10,590
	<hr/>	<hr/>
Total consolidated liabilities	377,571	435,539
	<hr/> <hr/>	<hr/> <hr/>
<b>5. REVENUE</b>		
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Retail and wholesale of shoes	744,870	608,991
Contract manufacturing of shoes	49,977	45,045
Retail of toys	24,775	22,746
	<hr/>	<hr/>
Total revenue	819,622	676,782
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Geographical markets</b>		
The People's Republic of China (the "PRC")	771,671	631,551
The United States of America	47,951	45,231
	<u>771,671</u>	<u>631,551</u>
Total	<u><u>819,622</u></u>	<u><u>676,782</u></u>
<b>Major products/service</b>		
Retail and wholesale of branded fashion footwear	744,870	608,991
Contract manufacturing of footwear	49,977	45,045
Retail of toys	24,775	22,746
	<u>744,870</u>	<u>608,991</u>
Total	<u><u>819,622</u></u>	<u><u>676,782</u></u>
<b>Timing of revenue recognition</b>		
At a point in time	819,622	676,782
	<u><u>819,622</u></u>	<u><u>676,782</u></u>

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Other income</b>		
Government grants	17,977	8,661
Interest income on bank deposits	2,238	3,898
Interest income of long-term trade debts	3,652	–
Interest income on other financial assets	13	35
Gain on disposal of property, plant and equipment	50	94
Service fee income	2,924	–
Others	5,318	3,712
	<u>17,977</u>	<u>8,661</u>
Total	<u><u>32,172</u></u>	<u><u>16,400</u></u>
<b>Other gains and losses</b>		
Net foreign exchange (loss)/gain	(1,246)	24
(Impairment)/reversal of impairment provision in respect of trade receivables	(600)	984
Gain on modification of right-of-use assets and lease liabilities	–	199
Gain on concession of lease payment	–	8,023
Gain on disposal of associate	2,358	–
	<u>(1,246)</u>	<u>984</u>
Total	<u><u>512</u></u>	<u><u>9,230</u></u>
Total other income and expenses and other gains and losses	<u><u>32,684</u></u>	<u><u>25,630</u></u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Leases interests	<u>1,407</u>	<u>3,451</u>

## 8. INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	24,574	768
Over-provision in prior periods	<u>(1,645)</u>	<u>(2,399)</u>
	22,929	(1,631)
Deferred tax	<u>(477)</u>	<u>2,574</u>
Income tax expenses	<u>22,452</u>	<u>943</u>

The Group is not subject to taxation in 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 2020: 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 2021 (six months ended 30 June 2020: 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 the 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 2021 and 2020.

## 10. EARNINGS/(LOSS) PER SHARE

### *Basic earnings/(loss) per share*

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB35,789,000 (six months ended 30 June 2020: approximately loss RMB23,343,000) and the weighted average number of ordinary shares of 2,075,514,000 (six months ended 30 June 2020: 2,061,163,000) in issue during the period.

### *Diluted earnings/(loss) per share*

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

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Trade receivables	207,994	204,400
Provision for loss allowance	(2,213)	(1,613)
	<u>205,781</u>	<u>202,787</u>

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

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
0 to 60 days	162,313	181,084
61 to 180 days	43,177	20,483
181 days to 1 year	279	805
Over 1 year	12	415
	<u>205,781</u>	<u>202,787</u>

## 12. TRADE PAYABLES

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

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
0 to 90 days	162,776	171,079
91 to 180 days	30,554	8,355
181 days to 1 year	3,323	2,784
Over 1 year	1,709	1,126
	<u>198,362</u>	<u>183,344</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

From the start of 2021, governments across the globe had been taking more proactive measures against the COVID-19 pandemic, providing stronger support for the global market to recover from the significant hit in 2020. In addition to more stringent measures on gatherings and social distancing, the research and development (“R&D”) of vaccines against the virus had also picked up pace. Multiple vaccines had been approved for use by national bodies and large-scale national vaccination campaigns had been launched. With more members of the public got vaccinated and reduced social activities, the pandemic is coming under control effectively in many of the more developed countries that can afford to purchase vaccines for their people. Cross-border activities and many economic activities had hence started to recover. For China, the national government had announced free vaccination for Chinese citizens at the beginning of the year. These factors had formed a solid base for a rebound.

As at 22 July 2021, the number of vaccination doses given in China had exceeded 1.5 billion. With effective monitoring measures, the pandemic had posed a much smaller risk to the Chinese consumer market in the first half of 2021. According to the statistics announced by the National Bureau of Statistics, China’s Gross Domestic Product (GDP) was RMB53.2 trillion in the first half of 2021, representing a 12.7% increment compared to the same period last year. The total retail sales of social consumer goods in China in the first half of 2021 reached RMB21.2 trillion with a year-on-year increase of 23.0%. It is worth mentioning that online retail sales reached RMB6.1 trillion with a year-on-year growth of 23.2%. Among them, the online retail sales of clothing (including footwear) increased by 24.1% among the online retail sales of physical goods. Recovery in the consumer retail market was evidently on the rise.

The footwear market in China had its ups and downs in the first half of 2021. Due to the lockdown measures imposed by the government, many offline physical retail stores did not weather well at the beginning of the year. However, as the pandemic came under control, China was also one of the first countries that were able to lift lockdown measures and allow foot and in-store traffic to return to normal. Coupled with the restrictions on cross-border travelling, part of the retail sales that would normally flow to other overseas markets had been redirected to the domestic market. This trend is particularly apparent with higher-end products.

Comfort and unique designs continued to be two major factors that affect consumers’ choices. Amidst the pandemic, awareness of personal fitness and health had also reached a new height as physical activities had long been established as an effective way to enhance immunity against diseases. Athleisure had thus presented another driving factor for further growth of the footwear market. The Olympic Games were held in Tokyo in July 2021. This global celebration of sportsmanship also led to a rise in sales of sports footwear.

There were also other factors that may affect the development of China’s consumers and footwear market.

Trading conflicts between China and the United States had yet to be settled and relationship between the two countries remained tense in the first half of 2021. Various trading restrictions and sanctions had yet to be lifted and statements that had been made by various foreign national leaders seemed to indicate that more of such restrictions and sanctions might be on the way. There had not been any sign that these regulations would be lifted shortly or in the near future.

Some international footwear brands had difficulty in selling their products in China in the first half of 2021 as consumers began to boycott these brands in response to statements that they made against the production of cotton in Xinjiang. This had also posed an opportunity for local brands in China to seize a larger market share as consumers had turned to support domestic products. Established local brands with strong products and broad distribution channels had already benefitted from this incident during the period between 1 January 2021 and 30 June 2021 (the “Reporting Period”). It has also presented a great opportunity for domestic brands to enhance brand recognition and customer loyalty. The positive effects of which could, in turn, be reflected in rise of sales and continual expansion in market share.

### **Operational Performance**

As at 30 June 2021, the total number of retail outlets of the Company was 1,186, showing a reduction of 56 outlets since the beginning of the year. The number of proprietary shoes retail outlets was 990 with a reduction of 55 outlets since the beginning of the year, while the number of third-party retail outlets was 196 with an increment of 1 outlet.

With continuing efforts in streamlining and restructuring practices, more less cost-effective retail outlets had been closed in the Reporting Period. Hence, the Company was able to achieve higher profits and profit margin. Although there had been a decrease in sales revenue, it is expected that the growth of online sales would be able to mitigate the short-term effect in the long run and give a boost to the total sales revenue of the Company.

Gross profit margin reported a sharp upward slope with a great reduction in cost. The rise in gross profit margin was due to the extra effort put into processing inventory in the previous year, leading to improvements in inventory structure. The results of retail and wholesale of shoes segment have improved significantly during the Reporting Period and reached RMB63.0 million, while loss of RMB8.8 million and profit of RMB30.9 million were recorded for the corresponding period in 2020 and 2019 respectively.

### **Synergized Brand Strategy and Strengthened Brand Building**

As a well-established footwear group in China, the Company had already developed a solid reputation in the market as a manufacturer of quality products that are stylish and fashionable with an attractive price tag. The Company had also adopted a multiple-brand strategy that can better target and easily adjust to varying consumer preferences and market trends. “C.banner”, “EBLAN”, “Sundance”, “MIO”, “BADGLEY MISCHKA” and “Naturesun” are all self-developed brands nurtured by the Company. Leveraging on these brands, the Company can drive collaborative developments with other brands.

Over the years, C.banner had generated brand value and hence obtained high brand recognition among consumers with its premium quality in business and business casual footwear. With early identification of the athleisure market as a rising trend, its diversified branding strategy and preceding reputation, C.banner has been able to catch and ride on the wave of expansion, effectively broadening its customer base to the younger generation, and in turn, its market share.

Differing from other consumers, the distinctive feature of the young consumers was their strong inclination towards customised experience, online shopping, and high cost-performance value. The Company, with its longstanding reputation as an international integrated manufacturer and retailer of mid to high-end women's footwear in China and diversified brandings could inspire young consumers to trust its ability to satisfy their needs and preferences. Constant interactions with the diversified customer base also, in turn, pushed the Company to keep bringing refreshing and on-trend designs to the market. This would enable the Company to always maintain and offer a strong, fashionable, and aspired product portfolio.

The Company has also reinforced efforts in branding promotion. As a well-established brand in the industry, C.banner is prepared to put more resources and effort into re-energising its image and products and to rejuvenate its brand and designs. C.banner's products are domestic productions fashionable items, and the indicator of domestic trends. The Company would continue to explore the possibilities of various brand image strategies to further empower its brand influence.

#### **Streamlined R&D Resources for Product Upgrade**

Keeping up with technological innovation and advancements is an important factor for the Company to maintain a sustainable business model. The ability to produce and apply revolutionary designs, materials and production processes was the key to distinguishing C.banner from other market players.

Having developed online sales channels, the Company was able to draw on big data analysing tools to better identify the qualities, factors, and issues that its customers consider when making a purchase. With this information available, the Company was able to upgrade current products designs to better fit the consumers' expectations. Utilising such tools had proven to be an effective measure to streamline and integrate R&D resources of the Company to give insightful results.

Latest technologies had also been adopted in the production process of the Company's products, improving production efficiency and quality of products.

Constant improvements to the quality of its products is of paramount to C.banner. From supply chain and production process to the procurement of raw materials, the Company seeks to utilise latest and most cost-effective materials into its products. As long as there are new joiners coming into the supply chain and the market, the Company will continue to reform, reshape, and hone its production line, so as to keep up with the dynamic changes brought by technology, consumers and other factors in the market.

## **Restructuring Retail Network and E-commerce Opportunities**

The prolonged duration of the COVID-19 pandemic had affected consumption habits of the general public. It had further pushed consumers to make purchases online, and have the goods directly delivered to their doorstep. During the past few years, the Company had already established multiple online channels and launched various digital marketing campaigns to raise sales. The current situation has proved that strategic value of such implementations.

To provide a comprehensive O2O shopping experience to its customers, the Company had undergone various practices in the last couple of years. Readjusting its retail network and establishing an online presence have continued to be an objective in the Reporting Period.

On one hand, the offline physical retail outlets continued its indispensable role in the footwear purchasing experience, allowing consumers to feel, touch, and try on C.banner products, as well as to enjoy in-store services that would help reinforce the brand value. On the other hand, online new retail provides the element of convenience to consumers. Particularly during the COVID-19 pandemic, it added an extra layer of protection to consumers by minimising face-to-face contact.

In the restructuring practice, the Company had further reduced the number of underperforming retail outlets in the Reporting Period. Compared to reduction of about 200 outlets in 2019 and 2020, the number of reduced outlets is expected to be fewer this year, as most of the underperforming outlets had already been closed in the previous years. To ensure market share is not affected, the Company would only further close outlets that could not generate a profit. The Company is even looking into opening some new retail outlets this year at locations with ample foot traffic and circulation. With its already established, geographically extensive network of proprietary and third-party shoes retail outlets across China's first-, second- and third-tier cities, the Company has the capacity to reach and service customers offline.

During the period under review, the Group recorded a net reduction of 55 proprietary shoes retail outlets and 1 third-party shoe retail outlet, respectively. As at 30 June 2021, the Group operated a network of 990 proprietary retail outlets and 196 third-party retail outlets across China, maintaining a strong presence in 31 provinces, municipalities and autonomous regions. 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:

Regions	C.banner		EBLAN		MIO		Natursun	Badgley Mischka	Licensed Brands	Total
	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Proprietary outlets	Proprietary outlets	
Northeast	80	18	36		15	10				159
Northern China	102	80	34		14	22	11			263
Eastern China	173	25	53	1	52	1	36	3		344
Shanghai	87		7		8		15	2		119
Southern China	96	10	9		12		3		1	131
Western China	102	12	25	3	11	14	2	1		170
<b>Total</b>	<b>640</b>	<b>145</b>	<b>164</b>	<b>4</b>	<b>112</b>	<b>47</b>	<b>67</b>	<b>6</b>	<b>1</b>	<b>1,186</b>

Notes:

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

On the e-commerce front, the Company has continued to reinforce its online presence in the Reporting Period to further develop and complete its omnichannel layout. In addition to cooperation with e-commerce platforms such as Vipshop, Tmall, and JD.com, the Company is also dedicating resources on the social media platform front to proactively interact with its existing and potential customers. The Company would further explore livestreaming e-commerce as a new mode of sales promotion.

Through these online channels, the Company hopes to expand its loyal member customer base to promote and generate repeated purchase from these loyal members. Compared to short-term effects brought by extensive digital marketing campaigns, loyalty programmes could generate sustainable long-term sales income that is also more stable. A well-developed brand loyalty programme would provide a great support for the Company's single store sales revenue and hence generate profits for the Company in the long run.

Ultimately, the goal of the Company's omnichannel layout with both online and offline presence is to generate larger gross profits in the era of new retail. Offline channels gain profits from completing sales, while online channels could help enlarge market share. The business model has started to generate profit, and the next stage would allow it to grow in scale to further and better capture opportunities and market share.

### **Continual Efforts in Strengthening Sales and Operational Performance**

In the footwear industry, the purchasing and servicing experience continues to play a more important role in consumers' choice compared to that in other industries because ultimate end-users would need to feel the shoes on their feet. Excellence in customer service is hence of paramount in the Company's operation. The Company listens continually to customer feedbacks from online and offline channels and arrange follow-up actions in a timely manner to ensure customers could get the best out of their shopping experience.

To adapt to the fast-paced new retail era, flexibility, innovation, and resilience to ever-evolving market trends are the key to success. Adopting latest production processes and technology could greatly improve the production efficiency. The Company reviews its production cycle periodically to see if there is room for improvement.

Intelligent manufacturing is the unbeatable trend in the future of the industry. On the basis that the modification of small closed-loop lines for the production plant in Xuzhou has been fully completed in 2020, combined with upgraded equipment and machines, the Company's production plants were able to utilise materials more efficiently and raise production efficiency.

Further enhancement to logistics efficiency had also been carried out in the Reporting Period. Continual adjustments and fine-tuning had been carried out since the establishment of the regional centre-level warehouses. Logistics routes had also been reviewed to better allocate resources. With the Warehouse Management System, the Company had been able to track and manage logistics arrangements effectively and optimise the process where necessary, hence achieving a much higher efficiency.

Communication cost was another area where the Company had spent effort on in the Reporting Period to enhance operational efficiency. Organisational structure of the Company had undergone certain adjustments to allow quicker and more effective communication between different departments and business units. The changes had enabled faster flow of information and quicker response to management decisions.

## **Outlook**

As the world continues to fight the virus and the effects of the pandemic, business models and growth strategies are being tested and re-evaluated for their endurance and resilience to drastic changes in the market.

As the pandemic progresses and more vaccines for COVID-19 are being developed and manufactured, it would suggest that the world may finally be seeing the end of the tunnel in this pandemic. Although the world is still bothered by its mutated strains or variants, it is apparent that the society and public health system is much less overwhelmed, since there are already effective measures in place. In fact, many developed countries such as the United States and the United Kingdom that have had a higher percentage of vaccinated citizens have already started to adjust their public health measures.

China and the Chinese market has been able to stand at the front of this league of countries that are able to lead lives back to normal due to its timely and effective response to the community outbreak since the beginning of the pandemic. Its preventative and monitoring measures are still in place and the people of China are prepared to follow through with these directives until the storm is finally blown over. The positive growth in national GDP in the first half of 2021 had further shown that the worst had passed and the market shall prevail and recover from the hit.

There still exists, of course, the potential down-side brought by the countering actions between China and the US on transnational trading and businesses. Some industry leaders that are or had been listed on the New York Stock Exchange had also taken actions to protect their interests in the US market. Barriers to trade in the US are now higher than ever. While it is hard to tell to what extent that this may affect the Company's business and growth, it is certain that the Company has to face the challenges brought by the consequences of trade barriers.

Management of the Company remains cautious in the present circumstance, but its objective to grow and expand its market share to generate values for its shareholders stays steadfast and unchanged.

Looking ahead, as a well-established footwear manufacturing and retail group in the market, C.banner will further intertwine itself with the fashion circle to fully utilise resources available in the market, so as to enhance its brand influence and maximise sales. Online and offline resources have yet to be exhausted and there is still great potential for the Company to further its grip on the market through various schemes and campaigns. With clear and well-planned strategies in place, management is confident that the Company could further reinforce its leading position in the footwear and fashion industry.

The Company's current structure and processes had delivered satisfactory performance against headwinds. However, there is still room for improvements in the production chain. The Company will continue to enhance the quality of its products. From R&D, product design, choice of materials and production process to inventory and logistics, C.banner will continue to search for the best method to deliver the most cost-effective products for its customers.

On another note, the Company also plans to use its influence and industry resources to support the less fortunate in China. In response and support to the people and businesses affected by the Xinjiang cotton incident, the Company has planned to organise a charity walk in Xinjiang in August. The event would be held with the principle of "holding hands and moving forward with borderless love", and aim to provide shoes and build libraries for the children in Xinjiang.

## FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group's revenue increased by 21.1% to RMB819.6 million as compared to the same period of last year. Profit for the period amounted to RMB36.5 million, compared to loss of RMB23.7 million in the same period of last year.

### Revenue

For the six months ended 30 June 2021, the Group's revenue increased by 21.1% to RMB819.6 million, compared to RMB676.8 million in the same period of last year.

The Group's revenue mix comprises income from retail and wholesale of shoes ("Retail and Wholesale"), contract manufacturing of shoes ("Contract Manufacturing") and retail of toys ("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					
	2021		2020			
	<i>RMB'000</i>	<i>% of Total Revenue</i>	<i>RMB'000</i>	<i>Total Revenue</i>	<i>% of</i>	<i>% of Growth</i>
Retail and Wholesale	744,870	90.9	608,991	90.0		22.3
Contract Manufacturing	49,977	6.1	45,045	6.6		10.9
Retail of Toys	24,775	3.0	22,746	3.4		8.9
Total	<u>819,622</u>	<u>100</u>	<u>676,782</u>	<u>100</u>		<u>21.1</u>

## **Profitability**

For the six months ended 30 June 2021, the Group's gross profit increased by 27.4% to RMB492.3 million, an increase of RMB105.8 million from RMB386.5 million in the same period of last year. As of 30 June 2021, the gross profit margin was 60.1%.

For the six months ended 30 June 2021, the Group's distribution and selling expenses reached RMB409.0 million, an increase of RMB37.0 million or 9.9% from the same period of last year. Distribution and selling expenses accounted for 49.9% of revenue, compared to 55.0% in the same period of last year.

For the six months ended 30 June 2021, the Group's administrative and general expenses amounted to RMB56.2 million, a decrease of RMB3.0 million or 5.0% from the same period of last year. Administrative and general expenses accounted for 6.9% of revenue, compared to 8.7% in the same period of last year.

For the six months ended 30 June 2021, the Group's other income and expenses and other gains and losses recorded a net gain of RMB32.7 million, compared to a net gain of RMB25.6 million in the same period of last year. Other income mainly comes from government grants, service fee income, and interest income of long-term trade debts.

For the six months ended 30 June 2021, the Group recorded finance costs of RMB1.4 million, decreased by 60% from RMB3.5 million in the same period of last year.

For the six months ended 30 June 2021, the Group's income tax expense increased by approximately RMB21.5 million to RMB22.5 million, compared to RMB0.9 million in the same period of last year. The increase was mostly attributed to the increase in profit before income tax.

For the six months ended 30 June 2021, profit attributable to equity holder of the Company recorded a profit of RMB35.8 million, increased by RMB59.1 million compared to the same period of last year.

## **Liquid Assets and Financial Resources**

As of 30 June 2021, the Group had bank balances and cash of RMB493.8 million (31 December 2020: RMB546.4 million).

For the six months ended 30 June 2021, net cash generated from operating activities was RMB4.6 million, a decrease of RMB92.4 million as compared to net cash generated from operating activities of RMB97.0 million in the same period of last year.

For the six months ended 30 June 2021, net cash used in investing activities was RMB40.6 million, compared to net cash used in investing activities of RMB16.1 million during the same period of last year. The outflow was primarily due to the acquisition of plant and equipment, which was partially offset by the cash inflow from the interests of bank deposits and proceeds from disposal of an associate.

For the six months ended 30 June 2021, net cash outflow from financing activities was RMB16.6 million, while net cash outflow from financing activities in the same period of last year was RMB25.7 million.

As of 30 June 2021, the net current assets of the Group were RMB1,091.7 million, compared with RMB928.3 million as of 31 December 2020, representing a net increase of RMB163.4 million or 17.6%.

### **Pledge of Asset**

As of 31 December 2020 and 30 June 2021, the Group had no pledged assets.

### **Capital Commitments**

As of 30 June 2021, 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 RMB39.4 million, while the capital commitments were RMB67.5 million as of 31 December 2020. As of 31 December 2020 and 30 June 2021, there were no capital commitments of the Group in respect of intangible assets that have been contracted but not yet provided in the condensed consolidated financial statements.

### **Foreign Exchange Risk Management**

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in USD. The Contract Manufacturing accounted for 6.10% 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 2021, the Group recorded a RMB1,246,000 loss from currency exchange, compared to RMB24,000 gain in the same period of last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

### **Future Plans for Material Investment or Capital Assets**

Save as disclosed in this report, as of 30 June 2021, the Group had no concrete plans to acquire any material investment or capital assets other than in the Group's ordinary course of business.

### **Human Resources**

As of 30 June 2021, the Group had 5,474 employees (31 December 2020: 5,876 employees). In order to retain top-notch talents, the Group offers competitive remuneration packages, including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees with reference to overall business performance and their individual work performance.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: 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 2021.

## **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 2021. 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The Audit Committee had reviewed together with the management of the Company and auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2021.

**PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2021 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 2021 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

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

PRC, 30 August 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. CHEN Yixi, Mr. YUAN Zhenhua, Mr. WU Weiming and Mr. ZHANG Baojun; the non-executive Director of the Company is Mr. MIAO Bingwen; and the independent non-executive Directors of the Company are Mr. KWONG Wai Sun Wilson, Mr. XU Chengming and Mr. ZHENG Hongliang.*