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C.banner International Holdings Limited

千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS HIGHLIGHTS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue	1,629,120	1,539,368
Gross profit	943,286	860,668
Profit before income tax	50,484	14,813
Income tax expenses	(21,694)	(9,208)
Net profit attributable to equity holders of the Company	27,346	6,179
	%	%
Gross profit margin	57.9	55.9
Operating profit margin	3.1	1.0
Net profit margin	1.8	0.4
Earnings per share		
– Basic (RMB cents)	1.32	0.30
– Diluted (RMB cents)	1.32	0.30

The board (the “Board”) of directors (the “Directors”) of C.banner International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	1,629,120	1,539,368
Cost of sales		<u>(685,834)</u>	<u>(678,700)</u>
Gross profit		943,286	860,668
Other income and expenses and other gains and losses	5	58,313	75,832
Distribution and selling expenses		(830,441)	(801,778)
Administrative and general expenses		(117,136)	(137,344)
Share of loss of an associate		(160)	–
Share of profit/(loss) of joint ventures		144	(837)
Finance costs		(2,840)	(5,274)
(Loss)/gain on disposal of subsidiaries	13	<u>(682)</u>	<u>23,546</u>
Profit before income tax		50,484	14,813
Income tax expenses	6	<u>(21,694)</u>	<u>(9,208)</u>
Profit for the year	7	<u>28,790</u>	<u>5,605</u>
Other comprehensive income:			
<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>
Total comprehensive income for the year		<u>28,613</u>	<u>5,605</u>

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		27,346	6,179
Non-controlling interests		1,444	(574)
		<u>28,790</u>	<u>5,605</u>
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		27,169	6,179
Non-controlling interests		1,444	(574)
		<u>28,613</u>	<u>5,605</u>
Earnings per share	<i>9</i>		
– Basic (RMB cents)		<u>1.32</u>	<u>0.30</u>
– Diluted (RMB cents)		<u>1.32</u>	<u>0.30</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		147,615	64,608
Right-of-use assets		95,555	117,880
Other intangible assets		19,906	23,439
Goodwill		5,725	5,725
Interest in an associate		417	–
Interest in joint ventures		6,617	6,473
Deferred tax assets		62,740	53,884
Long-term deposits, other receivables and prepayments		26,503	176,131
		<u>365,078</u>	<u>448,140</u>
Current assets			
Inventories		486,812	336,813
Trade receivables	10	170,731	202,787
Other receivables and prepayments		272,983	228,005
Current tax assets		6,931	681
Bank balances and cash		443,117	546,391
		<u>1,380,574</u>	<u>1,314,677</u>
Current liabilities			
Trade payables	11	138,514	183,344
Other payables		153,155	148,125
Contract liabilities		37,154	21,506
Lease liabilities		19,463	22,812
Current tax liabilities		7,297	10,590
		<u>355,583</u>	<u>386,377</u>
Net current assets		<u>1,024,991</u>	<u>928,300</u>
Total assets less current liabilities		<u>1,390,069</u>	<u>1,376,440</u>

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities		<u>35,475</u>	<u>49,162</u>
Net assets		<u>1,354,594</u>	<u>1,327,278</u>
Capital and reserves			
Share capital	<i>12</i>	209,097	209,097
Reserves		<u>1,136,361</u>	<u>1,108,864</u>
Total equity attributable to owners of the Company		1,345,458	1,317,961
Non-controlling interests		<u>9,136</u>	<u>9,317</u>
Total equity		<u>1,354,594</u>	<u>1,327,278</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 Suite 1503, Level 15, Admiralty Centre Tower 1, 18 Harcourt Road, Admiralty, 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 consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards; 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 consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied any new or revised IFRSs that is not yet effective for the current accounting period, except for the amendment to IFRS 16 “COVID-19-Related Rent Concessions”. Impact on the application of the amendment to IFRS 16 is summarised below.

Amendment to IFRS 16 “COVID-19-Related Rent Concessions”

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessees do not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2021 on initial application of the amendment.

The application of the new or revised IFRSs that have been issued but are not yet effective and have not been early adopted by the Group will not have material impact on the consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group's operating segments are based on information prepared and reported to the chief operating decision makers ("CODM"), the board of directors of the Company, for the purposes of resource allocation and performance assessment.

The Group has three reportable segments as follows:

- retail and wholesale of branded fashion footwear ("Retail and wholesale of shoes")
- contract manufacturing of footwear ("Contract manufacturing of shoes")
- retail of toys

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include loss on disposal of subsidiaries, gain on disposal of an associate, share of profit/ (loss) of an associate and joint ventures, finance costs and income tax expense. Segment assets do not include interest in an associate, deferred tax assets, current tax assets, interests in joint ventures, and other unallocated head office and corporate assets. Segment liabilities do not include income tax liabilities.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

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

	2021	2020
	RMB'000	RMB'000
Segment revenue		
Retail and wholesale of shoes		
– external sales	1,438,855	1,379,398
– inter-segment sales	9	1,609
Contract manufacturing of shoes		
– external sales	146,106	112,198
– inter-segment sales	8,291	33,666
Retail of toys		
– external sales	44,159	47,772
	<hr/>	<hr/>
Segment revenue	1,637,420	1,574,643
Eliminations	(8,300)	(35,275)
	<hr/>	<hr/>
Group revenue	1,629,120	1,539,368
	<hr/> <hr/>	<hr/> <hr/>
	2021	2020
	RMB'000	RMB'000
Segment results		
Retail and wholesale of shoes	60,053	2,989
Less: Written off of other intangible assets	–	(18)
	<hr/>	<hr/>
	60,053	2,971
	<hr/>	<hr/>
Contract manufacturing of shoes	(7,876)	(9,773)
	<hr/>	<hr/>
Retail of toys	(513)	4,238
Less: Written off of other intangible assets	–	(58)
	<hr/>	<hr/>
	(513)	4,180
	<hr/>	<hr/>
	51,664	(2,622)
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/gain on disposal of subsidiaries	(682)	23,546
Gain on disposal of an associate	2,358	–
Finance costs	(2,840)	(5,274)
Share of loss of an associate	(160)	–
Share of profit/(loss) of joint ventures	144	(837)
	<hr/>	<hr/>
Profit before income tax	50,484	14,813
Income tax expense	(21,694)	(9,208)
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Net profit for the year	28,790	5,605
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The following is an analysis of the Group's assets and liabilities by operating and reportable segments for the year:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Segment assets		
Retail and wholesale of shoes	1,820,863	1,782,968
Contract manufacturing of shoes	116,161	164,215
Retail of toys	19,810	17,142
	<u>1,956,834</u>	<u>1,964,325</u>
Total segment assets	1,956,834	1,964,325
Eliminations	(287,887)	(262,546)
Unallocated	76,705	61,038
	<u>1,745,652</u>	<u>1,762,817</u>
Total consolidated assets	<u>1,745,652</u>	<u>1,762,817</u>
Segment liabilities		
Retail and wholesale of shoes	318,035	352,930
Contract manufacturing of shoes	250,770	235,355
Retail of toys	101,702	98,948
	<u>670,507</u>	<u>687,233</u>
Total segment liabilities	670,507	687,233
Eliminations	(286,746)	(262,284)
Unallocated	7,297	10,590
	<u>391,058</u>	<u>435,539</u>
Total consolidated liabilities	<u>391,058</u>	<u>435,539</u>

Other segment information

	Retail and wholesale of shoes <i>RMB'000</i>	Contract manufacturing of shoes <i>RMB'000</i>	Retail of toys <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2021				
Depreciation of property, plant and equipment	30,835	956	19	31,810
Depreciation of right-of-use assets	31,768	4,983	–	36,751
Amortisation of other intangible assets	5,020	–	191	5,211
Write-down/(reversal) of inventories to net realisable value	8,169	(528)	–	7,641
Purchase of property, plant and equipment	119,282	296	–	119,578
Purchase of intangible assets	1,624	–	54	1,678
Reversal of impairment provision in respect of trade receivables	(1,064)	–	–	(1,064)
Gain on modification of right-of-use assets and lease liabilities	162	–	–	162
Interest income on bank deposits	(5,113)	(28)	(6)	(5,147)
Interest income on other financial assets	(22)	–	–	(22)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Retail and wholesale of shoes <i>RMB'000</i>	Contract manufacturing of shoes <i>RMB'000</i>	Retail of toys <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2020				
Depreciation of property, plant and equipment	40,973	1,562	101	42,636
Depreciation of right-of-use assets	21,971	9,091	8,399	39,461
Amortisation of other intangible assets	2,439	–	201	2,640
(Reversal of)/write-down of inventories to net realisable value	(2,826)	807	–	(2,019)
Purchase of property, plant and equipment	54,546	378	–	54,924
Purchase of intangible assets	16,473	–	11	16,484
Reversal of impairment provision in respect of trade receivables	(5,515)	–	–	(5,515)
Gain on modification of right-of-use assets and lease liabilities	(867)	–	(10,941)	(11,808)
Gain on concession of lease payment	(214)	–	(5,894)	(6,108)
Written off of property, plant and equipment	18	–	58	76
Interest income on bank deposits	(7,567)	(61)	(9)	(7,637)
Interest income on other financial assets	(106)	–	–	(106)

Geographical information

The Group's operations are mainly located in the People's Republic of China (the "PRC").

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

	Revenue from external customers	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
The PRC	1,489,331	1,428,442
The United States of America	139,789	110,926
Total	1,629,120	1,539,368

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

4. REVENUE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Retail and wholesale of shoes	1,438,855	1,379,398
Contract manufacturing of shoes	146,106	112,198
Retail of toys	44,159	47,772
	<u>1,629,120</u>	<u>1,539,368</u>
Total revenue	<u><u>1,629,120</u></u>	<u><u>1,539,368</u></u>

Disaggregation of revenue from contracts with customers:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Geographical markets		
The PRC	1,489,331	1,428,442
The United States of America	139,789	110,926
	<u>1,629,120</u>	<u>1,539,368</u>
Total	<u><u>1,629,120</u></u>	<u><u>1,539,368</u></u>

Major products/service

Retail and wholesale of shoes	1,438,855	1,379,398
Contract manufacturing of shoes	146,106	112,198
Retail of toys	44,159	47,772
	<u>1,629,120</u>	<u>1,539,368</u>
Total	<u><u>1,629,120</u></u>	<u><u>1,539,368</u></u>

Timing of revenue recognition

At a point in time	<u><u>1,629,120</u></u>	<u><u>1,539,368</u></u>
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Retail and wholesale of shoes

The Group manufactures and sells self-developed brands and licensed brands footwear to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Wholesale of shoes to customers are normally made with credit terms of 60 to 75 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability. The Group would also allow longer credit period for certain customers with long term relationship. No credit terms are granted to retail customers. In respect of sales to retail customers made through cooperative stores, credit terms of 30 to 90 days are granted to cooperative stores.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract manufacturing of shoes

The Group acts as an original equipment manufacturer or original design manufacturer for international shoes companies dealing in export. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Wholesale of shoes to customers are normally made with credit terms of 60 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Retail of toys

The Group sells toys to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. No credit terms are granted to customers.

Customer loyalty programmes

Within its retail segment, the Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The customers are entitled to redeem the award credits as cash to be used in future sales upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty programme.

Consideration received for the products sold within the retail segment is allocated between the products sold and the points issued based on the relative stand-alone selling prices of the products sold and the points issued. The stand-alone selling prices of the points are determined by applying the expected cost plus a margin approach. The value allocated to the points issued is deferred and recognised as a contract liability. Such contract liability is recognised as revenue when the points are redeemed or expired.

5. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Other income			
Government grants	<i>(i)</i>	30,771	29,788
Interest income on bank deposits		5,147	7,637
Interest income on other financial assets		22	106
Gain on disposal of property, plant and equipment		563	177
Interest income on long-term trade debts		7,453	3,023
Service fee income from a former subsidiary	<i>(ii)</i>	4,133	6,861
Others		9,592	10,182
		57,681	57,774
Other gains and losses			
Net foreign exchange loss		(2,628)	(5,373)
Reversal of impairment provision in respect of trade receivables		1,064	5,515
Gain on disposal of an associate		2,358	–
(Loss)/gain on modification of right-of-use assets and lease liabilities	<i>(iii)</i>	(162)	11,808
Gain on concession of lease payment	<i>(iv)</i>	–	6,108
		632	18,058
Total other income and expenses and other gains and losses		58,313	75,832

Notes:

- (i) The amount mainly represented the subsidies received from the local governments in the PRC where the Group entities were located for encouragement of business development activities in the local areas.
- (ii) The amount represented the service fee income based on 5% of sale proceeds charged for inventories sold on behalf of a former subsidiary.
- (iii) The amount mainly represented the loss on early termination of rental agreements.
- (iv) The amount mainly represented the concession of lease payment resulted from the COVID-19.

6. INCOME TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax		
Provision for the year	30,507	30,294
Under/(over)-provision in prior years	43	(3,467)
	<u>30,550</u>	<u>26,827</u>
Current tax – PRC withholding tax	–	8,913
Deferred tax		
Provision for the year	(8,856)	(26,532)
Income tax expenses	<u>21,694</u>	<u>9,208</u>

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the PRC enterprise income tax rate is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<u>50,484</u>	<u>14,813</u>
Tax at the income tax rate of 25% (2020: 25%) (<i>Note</i>)	12,621	3,703
Tax effect of share of (profit)/loss of joint ventures and an associate	(36)	209
Tax effect of expenses not deductible for tax purpose	3,005	400
Tax effect of income not taxable for tax purpose	(6,207)	(7,249)
Under/(over)-provision in prior years	43	(3,467)
Tax effect of tax losses not recognised	11,249	6,101
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	539	377
Tax effect on withholding tax on distributed profits in the PRC	–	8,913
Tax effect of other temporary differences not recognised	480	221
Income tax expense for the year	<u>21,694</u>	<u>9,208</u>

Note:

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

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2021 and 31 December 2020 as the Group did not generate any assessable profits arising in and derived from Hong Kong in both years.

PRC Enterprise Income Tax has been provided at a rate of 25% on the estimated assessable profit for the year ended 31 December 2021 (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 BVI shall be subject to the withholding tax at 10%.

7. PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment	31,810	42,636
Depreciation of right-of-use assets	36,751	39,461
Amortisation of other intangible assets	5,211	2,640
Directors' emoluments	7,083	9,904
Auditors' remuneration	1,880	1,830
Cost of inventories sold	685,834	678,700
Write-down of/(reversal of) inventories to net realisable value (included in cost of inventories sold)	7,641	(2,019)
Reversal of impairment provision in respect of trade receivables	(1,064)	(5,515)
Share-based payment expenses	328	2,530
Written off of other intangible assets	–	76
Employee benefits expenses		
– Salaries, bonus and allowances	304,486	328,042
– Retirement benefits scheme contributions	49,231	21,853
	<u>353,717</u>	<u>349,895</u>

8. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB27,346,000 (2020: profit of approximately RMB6,179,000) and the weighted average number of ordinary shares of 2,076,267,000 (2020: 2,061,765,000 after deducting shares held under the share award scheme of 2,286,000) in issue during the year.

Diluted earnings per share

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

10. 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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	171,280	204,400
Provision for loss allowance	(549)	(1,613)
	<u>170,731</u>	<u>202,787</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 60 days	147,648	181,084
61 to 180 days	16,252	20,483
181 days to 1 year	6,096	805
Over 1 year	735	415
	<u>170,731</u>	<u>202,787</u>

Reconciliation of loss allowance for trade receivables:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At the beginning of year	1,613	8,533
Decrease in loss allowance for the year	(1,064)	(5,515)
Disposal of subsidiaries	-	(1,405)
	<u>549</u>	<u>1,613</u>

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Neither past due nor impaired	Over 1 days to 1 year past due	Over 1 years past due	Total
At 31 December 2021				
Weighted average expected loss rate	0%	1%	55%	0%
Receivable amount (<i>RMB'000</i>)	149,209	21,593	478	171,280
Loss allowance (<i>RMB'000</i>)	159	128	262	549
At 31 December 2020				
Weighted average expected loss rate	1%	1%	78%	1%
Receivable amount (<i>RMB'000</i>)	178,173	25,815	412	204,400
Loss allowance (<i>RMB'000</i>)	917	374	322	1,613

11. TRADE PAYABLES

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

	2021 RMB'000	2020 <i>RMB'000</i>
0 to 90 days	130,791	171,079
91 to 180 days	949	8,355
181 days to 1 year	1,980	2,784
Over 1 year	4,794	1,126
	<u>138,514</u>	<u>183,344</u>

12. SHARE CAPITAL

	Number of shares	Amount USD'000
Ordinary shares of USD0.015 each		
Authorised:		
At 1 January 2020 and 31 December 2020, 1 January 2021 and 31 December 2021	<u>20,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 January 2020 and 31 December 2020, 1 January 2021 and 31 December 2021	<u>2,077,000,000</u>	<u>31,155</u>
		Amount RMB'000
At 1 January 2020 and 31 December 2020, 1 January 2021 and 31 December 2021		<u>209,097</u>

During the year ended 31 December 2021 and 2020, the Company did not repurchase any shares through the Stock Exchange.

13. DISPOSAL OF SUBSIDIARIES

On 10 August 2021, the Company entered into a sale and purchase agreement with Mr. Wan Xianghua to dispose 25% equity interest of Jiangsu Meisen Footwear Company Limited (“Jiangsu Meisen”) (the “Disposal”) at a consideration of RMB1.

The Disposal was completed on 8 September 2021. Upon completion of the Disposal, Jiangsu Meisen ceased to be subsidiary of the Company and its results, assets and liabilities and cash flows ceased to be consolidated to that of the Group since then. A loss on disposal of RMB682,000 was recognised upon the completion, being calculated as follows:

	<i>RMB'000</i>
Net assets at the date of disposal were as follows:	
Property, plant and equipment	1,405
Inventories	1,047
Trade receivables	(2)
Other receivables and prepayments	72
Bank balances and cash	1,154
Amount due from the Group	1,288
Trade payables	(1,423)
Other payables	(587)
Amount due to the Group	(70)
	<u>2,884</u>
Interest in an associate	(577)
Non-controlling interests	(1,625)
Loss on disposal of a subsidiary	(682)
	<u>–</u>
Total consideration – satisfied by cash	<u>–</u>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	<u>(1,154)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

After two years of battling the COVID-19 pandemic the world still faces a threat from the Delta and Omicron variants. According to the World Bank, following a strong rebound in 2021, the global economy is entering a slowdown amid fresh threats from COVID-19 variants and a rise in inflation. Global growth is expected to decelerate markedly from 5.5% in 2021 to 4.1% in 2022. Moreover, the rapid spread of Omicron indicates that the pandemic will likely continue to disrupt economic activity in the near term.

In China, the economy grew 8.1% year-on-year in 2021, the fastest pace in a decade. The first quarter of 2021 started the year with an impressive 18.3% increase year-on-year as the economy roared back from the slowdown caused by the pandemic in 2020. However, by the end of the year, the economy began to cool with fourth quarter growth only increasing 4.0% among a re-emergence of COVID, a slowdown in the property market and regulatory tightening.

Although, the recovery in domestic consumption in China still faces numerous uncertainties, the retail industry maintained stable growth last year. China's retail sales rose 12.5% in 2021 marking a turnaround from the 3.9% dip in 2020 and underscoring the overall resilience of China's spending power in a challenging year. However, in December, retail sales only grew 1.7% as COVID-19 flared up again and tighter restrictions due to the zero-COVID policy were implemented. China continues to face many risks and challenges as COVID and geopolitical conflicts threatens the global recovery.

In the second half of 2021, the pandemic re-emerged in China starting from an outbreak in Nanjing in July. Additionally with the "double reduction" policy and expanding unemployment rate, customers' inelastic demand began to weaken. Their main expenditures were mortgage payments and food resulting in a weakening in consumption during the "Golden Week" and sluggish sales growth on major platforms during the "Double 11" shopping festival last year.

In response to economic challenges and the difficult business environment in 2021, the Company took specific measures to capitalise on its business development in an effort to maintain sustainable growth and reduce market risks.

Seize Market Opportunities through Social Media

Live commerce is revolutionizing the retail industry by combining the ability to instantly purchase a featured product while participating in a live broadcast through a chat function or reaction buttons. Livestream ecommerce appeals to consumers by offering a thoroughly modern hybrid of in-person and online shopping while being an important way for brands to gain awareness and connect with customers. The pandemic causing many people to be stuck at home has only added fuel to the fire as people flock to shop online through interactive and immersive experiences. Live commerce has developed at a tremendous pace in China with sales topping US\$171 billion in 2020, and an expected sales figure of US\$423 billion (Source: <https://www.vaimo.com/livestream-ecommerce-is-the-future-of-shopping/>) in 2022. China's livestream ecommerce market experienced explosive growth of more than 280% CAGR between 2017 and 2020. Currently, livestream shopping is responsible for nearly 20.3% of China's total online sales. It's expected live stream shopping will continue growing like wildfire driven by exciting new ways to engage customers. Keeping up with market trends, the Group collaborated with first tier E-commerce live streamer, the famous Li Jiaqi. Li Jiaqi is a well known top seller in China with over 40 million followers on Weibo and Douyin. In the future, the Group plans to cooperate with various popular live streamers at all levels in multiple directions.

In response to the current challenges and the adverse business environment, the Group further pushed forward its strategy in forging an exceptional online and offline shopping experience for consumers. It integrated its resources and operations across various business units, reallocated more resources and manpower to optimize its online platform and expanded its online channels to adapt to online shoppers' new habits and preferences arising from the pandemic. The current trends create huge opportunities for the Group during this transitional period. The Group believes that sales from social media channels will continue to gain momentum in the next year due to the growing popularity of the online social networking world.

Optimizing Retail Network

The prolonged COVID-19 pandemic accelerated the shift to e-commerce for the apparel and footwear industry as consumers prefer shopping online and have goods safely delivered directly to their doorstep. Over the past few years, the Company established multiple online channels and launched various online marketing campaigns to drive sales. The ongoing concerns regarding the pandemic have proved their strategic value.

To provide a comprehensive O2O shopping experience to its customers, the Company streamlined various practices over the last couple of years. Readjusting its retail network and establishing an online presence continued to be an objective during the reporting period.

Offline physical retail outlets continued their 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 help reinforce the brand value. Simultaneously, E-commerce and online shops enjoy the merits of lower operating costs, greater flexibility and easier set-up. Consumers have gotten used to these conveniences of the "stay-at-home" lifestyle during the COVID-19 pandemic.

Regarding the restructuring plan, the Company will not closedown too many retail outlets to ensure market share is not affected. The Company only plans to close unprofitable retail outlets. Compared to reduction of about 200 retail outlets over last two years, the number of closed retail outlets is expected to be less this year as the majority of the underperforming retail outlets have already been closed in the previous years. The Company is even looking to open some new retail outlets this year at locations with ample foot traffic and circulation. With its established, geographically extensive network of proprietary and third-party shoes retail outlets across China's first-, second- and third-tier cities, the Company has adequate capacity to reach and service customers offline.

During the year under review, the Group recorded a net reduction of 70 proprietary shoes retail outlets. As at 31 December 2021, the Group operated a network of 975 proprietary retail outlets and 197 third-party retail outlets across China, maintaining a strong presence in 30 provinces, municipalities and autonomous regions. In response to changing consumption mode and habits, 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.

All-round Layout of Distribution Channels

On the e-commerce front, the Company continued to reinforce its online presence during 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 is further exploring livestreaming e-commerce as a new mode of sales promotion.

Regarding offline channels, the Company has been strengthening its cooperative relationship with department stores, shopping malls and outlets to foster existing distribution channels. As part of the strategy to streamline operations and control costs, directly-operated stores are being optimised with unprofitable stores being reviewed and closed as needed.

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 can help enhance market share. This business model has started to generate profit, and the next stage will allow it to grow in scale to further and better capture opportunities and market share.

Keen to Offer More Retail Outlets in Shopping Centres

The Company expand its outlets business at a faster pace during the pandemic and economic slowdown. Outlets stores allowed the Company to dispose of a large variety items at very attractive prices, and to diversify product styles so as to meet the need of customers. In the future, the Company will continue to develop its outlets business, to cooperate retailers of varying scale to increase market presence and coverage, and strive to enhance same-store sales growth of each offline store whilst actively promoting online sales.

The Company also plans to selectively open more retail outlets in shopping centres as shopping centres are currently less profitable than department stores. In general, about 60 stores were able to breakeven. However, they will still be effective in attracting consumers in the future. Over the next year, the Company plans to open around 40-50 retail outlets in shopping centres in provincial capital cities, especially in the advantageous eastern region of China.

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

Distribution Regions	C.banner		EBLAN		MIO		Natursun	Badgley Mischka	Licensed Brands	Total
	Proprietary retail outlets	Third-party retail outlets	Proprietary retail outlets	Third-party retail outlets	Proprietary retail outlets	Third-party retail outlets	Proprietary retail outlets	Proprietary retail outlets	Proprietary retail outlets	
Northeast China	81	17	31	-	13	12	-	-	-	154
Northern China	100	80	29	-	13	24	9	-	-	255
Eastern China	175	32	50	-	58	3	36	3	-	357
Shanghai	92	-	5	-	13	-	15	2	-	127
Southern China	94	11	7	-	12	-	-	-	1	125
Western China	102	12	20	3	11	3	3	-	-	154
Total	<u>644</u>	<u>152</u>	<u>142</u>	<u>3</u>	<u>120</u>	<u>42</u>	<u>63</u>	<u>5</u>	<u>1</u>	<u>1,172</u>

Notes:

- (1) Northeast China 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.

Synergized Brand Strategy and Strengthened Brand Building

As a well-established footwear group in China, the Company has developed a solid reputation in the market as a manufacturer of quality, stylish and fashionable products with an attractive price tag. The Company has also adopted a multiple-brand strategy that can better target and easily adjust to varying consumer preferences and market trends.

As 'leisure' becomes increasingly important in the lives of many Chinese consumers, the demand for leisure shoes with style and comfort is also rapidly growing. The typical shopper for leisure shoes tends to be aged between 18 and 45, a student or an office worker, an individualist and more demanding than average of brand consumer. The continued focus on comfort and unique designs enabled C.banner to nurture this loyal customer base.

We showcase our design capability by producing best-in-class footwear with a high degree of complexity under our proprietary brands developed by the Company, "C.banner", "EBLAN", "Sundance", "MIO", "BADGLEY MISCHKA" and "Naturesun". Leveraging on these brands, the Company drives collaborative developments with other brands. We concentrate on winning product design primarily based on public aesthetics in order to increase the marketability of the product.

Focus on Meeting the Evolving Footwear Needs of The New Generation

Since 2017, the sportswear market in China has been growing tremendously. In fact sportswear is the only apparel market that is growing. Since the pandemic hit, awareness of personal fitness and health also reached new heights as being physically active is well known as an effective way to improve immunity against diseases. With the general public who have been lockdown for more than two years now, the pandemic has changed work apparel as we know it forever. Enter workleisure, a hybrid of athleisure and office attire that's all about comfort. Workleisure is part athleisure and part traditional work attire and has become the acceptable new dress code.

Athleisure presented another source for further growth in the footwear market. The Olympic Games, held in Tokyo in July 2021, inspired many people to be more active resulting in an increase in sales of sports footwear. Additionally, the Chinese government is encouraging its population to participate in athletic activities. It aims to increase the country's sports economy to US\$850 billion by 2025, which would make it the largest in the world. With the National Fitness Programme (2019-2030) and related government policies promoting interest in personal fitness and participation in sporting events, individuals' spending on sports related activities has become a significant part of their monthly budget.

C.banner has built strong brand value and obtained high brand recognition among consumers with its premium quality in business and business casual footwear. Focusing on the athleisure market as a new future trend, the Company launched a diversified branding strategy to appeal to the younger generation which contributed to an increase in market share.

The Company already has a longstanding reputation as an integrated manufacturer and retailer of mid to high-end women's footwear in China with diversified brands. It is expanding its customer base through attracting a new generation of young customers by understanding their footwear needs and preferences. This young generation places greater emphasis on footwear design and style. In order to stay competitive, the Company focuses on product innovation to supply the market with fresh and trendy designs. This enables the Company to provide a strong, fashionable and aspired product portfolio, thus maintaining its leading position in the Chinese footwear market.

The Company also reinforced efforts in branding promotion. As a well-established brand in the industry, C.banner will put more resources and effort into re-energising its image and products and rejuvenate its brand and designs. The Group has always attached great importance to product comfort, quality materials and consumer experience. In addition, with the rising purchasing power of the younger generation, the Group believes that young consumers are the key to drive sustainable growth. Thus, the Group aims to focus on better understanding their needs and investing more resources in product research and development and design to appeal to a younger demographic with youthful and trendy designs, thereby maintaining the vitality of the brand. C.banner's products are fashionable items and an indicator of domestic trends. The Company will continue to explore the possibilities of various brand strategies to further strengthen its brand influence.

Streamlined Research and Development (“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 is the key to distinguishing C.banner from other market players.

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

The latest technologies have 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 are paramount to C.banner. From supply chain and production process to the procurement of raw materials, the Company seeks to utilise the latest and most cost-effective materials in its products. As long as there are new players 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 driven by technology, consumers and other market factors.

Continual Efforts in Promoting Sales and Operational Performance

In the footwear industry, purchasing and servicing experiences continue to play a more important role in consumers' choices compared to other industries because ultimate end-users need to feel the shoes on their feet. Excellence in customer service is hence paramount in the Company's operation. The Company listens routinely to customer feedback from online and offline channels and provides follow-up actions in a timely manner to ensure customers get the best out of their shopping experience. Last year, the Group put extra effort into processing inventory and reduced the backlog of goods due to the pandemic in order to maintain a healthy cash flow.

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

Intelligent manufacturing is the unbeatable future trend of the industry. The Company's production plants were able to utilise materials more efficiently and raise production efficiency due to the completed modification of small closed-loop lines for the production plant in Xuzhou in 2020 combined with an upgrade in equipment and machines,.

Further enhancement to logistics efficiency was also carried out during the reporting period. We have established strategic partnerships with industry-leading third-party warehousing and logistics companies. With their complete warehousing and logistics system and scientific warehousing layout, we have achieved accurate, efficient and nearby distribution of products, thereby reducing the Group's warehousing and logistics costs and management costs.

Communication cost was another area the Company improved during the reporting period to enhance operational efficiency. The Company made certain adjustments to its organisational structure to allow quicker and more effective communication between different departments and business units. The changes enable faster flow of information and expedient decision making.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group's total revenue increased by 5.8 % to RMB1,629.1 million, compared to the same period of last year. The Group's gross profit increased by 9.6 % to RMB943.3 million. Profit for the year amounted to RMB28.8million, compared to a profit of RMB5.6 million in the same period of last year, an increase of 414.3%.

Revenue

For the year ended 31 December 2021, the Group's total revenue increased by 5.8 % to RMB1,629.1 million, compared to RMB1,539.4 million for the same period of last year.

The Group's revenue mix comprises income from retail and wholesale of shoes ("Retail and Wholesale"), contract manufacturing of shoes ("Contract Manufacturing") and retail of toys. The revenue distribution of Retail and Wholesale, Contract Manufacturing and retail of toys is set out as follows:

	For the year ended 31 December				
	2021		2020		% Growth
	<i>RMB ('000)</i>	<i>% of Total Revenue</i>	<i>RMB ('000)</i>	<i>% of Total Revenue</i>	
Retail and Wholesale	1,438,855	88.3	1,379,398	89.6	4.3
Contract Manufacturing	146,106	9.0	112,198	7.3	30.2
Retail of Toys	44,159	2.7	47,772	3.1	(7.6)
Total	<u>1,629,120</u>	<u>100</u>	<u>1,539,368</u>	<u>100</u>	<u>5.8</u>

Profitability

For the year ended 31 December 2021, the Group's gross profit increased by 9.6 % to RMB943.3 million, which was attributable to the increase in revenue and the improvement of gross profit margin. The gross profit margin was 57.9 %, an increase of 2.0 percentage points from 55.9 % in last year.

For the year ended 31 December 2021, the Group's distribution and selling expenses reached RMB830.4 million, an increase of 3.6 %, compared to expenses of RMB801.8 million last year, which was mainly due to the reduction of social insurance relief policies promulgated by the government. Distribution and selling expenses accounted for 51.0 % of revenue compared to 52.1 % in last year.

For the year ended 31 December 2021, the Group's administrative and general expenses amounted to RMB117.1 million, a decrease of RMB20.2 million compared to the same period of last year, which was mainly attributable to the decrease in lease expenses and the streamlining of the organization. Administrative and general expenses accounted for 7.2 % of revenue compared to 8.9 % in last year.

For the year ended 31 December 2021, the Group's other income and expenses and other gains and losses recorded a net profit of RMB58.3 million as compared to a net profit of RMB75.8 million last year. Other income and expenses and other gains and losses mainly included government grants, service fee income from former subsidiaries, gains and losses related to lease agreements and interest income from bank deposits. The decrease was mainly attributable to the decrease in the gain from early termination of the lease agreement and the decrease in the concession of lease payment.

For the year ended 31 December 2021, the Group recorded finance costs of RMB2.8 million, compared to RMB5.3 million last year. The decrease was mainly attributable to lower lease liabilities.

For the year ended 31 December 2021, the Group's income tax expense increased by RMB12.5million to RMB21.7million, compared to an expense of RMB9.2million last year. The increase was mostly attributable to the increase in profit before tax due to the increase in revenue and the control of expenses. For the year ended 31 December 2021, the Group recorded profit attributable to owners of the Company of RMB27.3million, as compared to the profit of approximately RMB6.2 million recorded in 2020.

Liquidity, Financial Resources and Capital Structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2021, the Group had cash and cash equivalents of RMB443.1million (2020: RMB546.4 million).

As at 31 December 2021 and 31 December 2020, the Group had no bank borrowings.

According to the Group's current level of cash balances, working resources and banking facilities, the Board is confident that the Group has sufficient resources to meet its future business expansion.

Gearing ratio

As at 31 December 2021 and 31 December 2020, the Group's gearing ratio, computed by dividing total loans and borrowings by total assets, was 0.0%.

Capital structure

The Group's operations were financed mainly by shareholder's equity, bank facilities available to the Group and internal resources. The Group will continue to adopt its treasury policy of placing its cash and cash equivalent as interest bearing deposits. The Group's loans and cash and cash equivalents were mainly denominated in Renminbi, Hong Kong dollars, GBP and U.S. dollars. As of 31 December 2021, the Group had no bank borrowings denominated in foreign currency.

Pledge of Asset

As of 31 December 2021, the Group had no bills payables.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 2021.

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 9.0% of total revenue. Nevertheless, the Board will keep monitoring the impact of the exchange rate on our business closely and take appropriate measures to mitigate the impact where necessary.

For the year ended 31 December 2021, the Group recorded a RMB2.6 million loss from currency exchange, compared to a RMB5.4million loss last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2021, the Group had 5,180 employees (31 December 2020: 5,876 employees). The Group provides its employees with competitive remuneration packages including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees according to the business performance and their individual work performance.

Dividend

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: nil).

Events after the Reporting Period

There were no significant events after 31 December 2021 and up to the date of this results announcement.

Outlook

At the start of 2021, China was able to get the pandemic under control and progressively restore social and economic order. However, during the second half of 2021, in some of China's provinces and other countries the pandemic re-emerged resulting in new social distancing measures. The pandemic remains a threat to the global economy as there is still no clear end. It is very likely that in the foreseeable future, the pandemic prevention and control will be normalized and the global economy will continue to face many challenges as it ebbs and flows.

China and the Chinese market have been able to live relatively normal lives due to the government's timely and effective response to community outbreaks. 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 finally blows over. The positive growth in 2021 national GDP shows that the market shall prevail as it recovers from the impact of the pandemic. For 2022, the government has set a target of 5.5% growth as it is steering the economy to sustainable growth based on domestic consumption. Furthermore, authorities remain ready to provide policy easing should domestic demand remain sluggish.

There still exists, of course, concerns regarding 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 have 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 have on the Company's business and growth, the Company is prepared to face the challenges brought by the consequences of trade barriers.

The Company's management remains cautious in the current situation, but also steadfast in its commitment to growth and expanding its market share to generate shareholders value.

Looking forward, as a well-established footwear manufacturing and retail group in the market, C.banner will further entrench itself with the fashion industry to fully utilise resources available in the market in an effort to strengthen its brand influence and maximise sales. Every day, we create value for our customers in ways unmatched by our competitors through our unrivalled reputation for high-quality footwear designs, product development and excellent manufacturing.

The Company's current structure and processes delivered satisfactory performance against many headwinds this year. However, we believe there is still room for improvements in the production chain as the Company continues 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.

The Company values its talent and will continue to attract new talent with attractive benefits to optimize the management structure's knowledge. The key management will move southwards to the frontline with Guangzhou to better manage the business and explore more business opportunities. The research center in Guangzhou has been transformed to meet the changes brought by COVID-19.

The management believes that supply chain management is an integral part of the business and is essential to company's success and customer satisfaction. The current ever-changing market requires prompt response on decision making and supply chain management. The Company will further review and reform its supply chain system to enhance product quality, as well as work closer with external supply chains to ensure a smooth and resilient supply chain system. The Company further improved the traditional supply chain system by upgrading the Four Seasons Order Fair model and applying small batches production in order to accelerate its market responsiveness.

While China's economy was relatively strong in the first two months of 2022, we still need to closely monitor COVID-19 pandemic as it continues to pose ongoing risks. Though the operating condition and financial performance of the Company experienced pressure, the Company successfully confronted the challenges by swiftly responding to the changing market conditions, promptly adjusting its marketing strategies and leveraging its resource advantages in a bid to minimize the impact of the COVID-19 pandemic. Looking ahead, the Company will stay focused on strengthening its core business and optimizing online and offline experience in an effort to further enhance its competitiveness while maintaining consistent growth and increasing shareholder value.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting of the Company to be held on Thursday, 30 June 2022, the register of members of the Company will be closed from Monday, 27 June 2022 to Thursday, 30 June 2022, both days inclusive, during which period no transfer of share will be registered. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 24 June 2022.

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 (formerly named Corporate Governance Code and Corporate Governance Report) (version up to 31 December 2021) (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Kwong Wai Sun Wilson, Mr. Xu Chengming and Mr. Zheng Hongliang, and one non-executive Director, namely Mr. Miao Bingwen.

The Audit Committee had reviewed together with the Board and external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2021.

SCOPE OF WORK OF MESSRS. ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.cbanner.com.cn, and the 2021 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

PRC, 28 March 2022

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