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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 2022

ANNUAL RESULTS HIGHLIGHTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	1,381,742	1,629,120
Gross profit	767,060	943,286
Profit before income tax	17,335	50,484
Income tax expenses	(2,569)	(21,694)
Profit for the year	14,766	28,790
Profit/(loss) for the year attributable to:		
Owners of the Company	14,789	27,346
Non-controlling interests	(23)	1,444
	<u>14,766</u>	<u>28,790</u>
	%	%
Gross profit margin	55.5	57.9
Operating profit margin	1.3	3.1
Net profit margin	1.1	1.8
Earnings per share		
– Basic (RMB cents)	0.71	1.32
– Diluted (RMB cents)	0.71	1.32

The board (the “Board”) of directors (the “Directors”) of C.banner International Holdings Limited (the “Company” or “C.banner”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	4	1,381,742	1,629,120
Cost of sales		<u>(614,682)</u>	<u>(685,834)</u>
Gross profit		767,060	943,286
Other income and expenses and other gains and losses	5	55,008	58,313
Distribution and selling expenses		(694,879)	(830,441)
Administrative and general expenses		(107,185)	(117,136)
Share of loss of an associate		(145)	(160)
Share of profit of joint ventures		31	144
Finance costs		(2,555)	(2,840)
Loss on disposal of subsidiaries		<u>–</u>	<u>(682)</u>
Profit before income tax		17,335	50,484
Income tax expenses	6	<u>(2,569)</u>	<u>(21,694)</u>
Profit for the year	7	<u>14,766</u>	<u>28,790</u>
Other comprehensive income/(expenses):			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences reclassified to profit or loss on disposal of an associate		<u>–</u>	<u>(177)</u>
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		<u>4,700</u>	<u>–</u>
Other comprehensive income/(expenses) for the year		<u>4,700</u>	<u>(177)</u>
Total comprehensive income for the year		<u>19,466</u>	<u>28,613</u>

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Profit/(loss) for the year attributable to:			
Owners of the Company		14,789	27,346
Non-controlling interests		(23)	1,444
		<u>14,766</u>	<u>28,790</u>
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		19,489	27,169
Non-controlling interests		(23)	1,444
		<u>19,466</u>	<u>28,613</u>
Earnings per share	<i>9</i>		
– Basic (RMB cents)		<u>0.71</u>	<u>1.32</u>
– Diluted (RMB cents)		<u>0.71</u>	<u>1.32</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		148,528	147,615
Right-of-use assets		77,658	95,555
Other intangible assets		15,050	19,906
Goodwill		5,725	5,725
Interest in an associate		272	417
Interest in joint ventures		6,648	6,617
Equity investments at fair value through other comprehensive income ("FVTOCI")	10	31,051	–
Deferred tax assets		62,387	62,740
Long-term deposits, other receivables and prepayments		<u>250,211</u>	<u>26,503</u>
		<u>597,530</u>	<u>365,078</u>
Current assets			
Inventories		457,265	486,812
Trade receivables	11	135,510	170,731
Other receivables and prepayments		31,601	272,983
Current tax assets		447	6,931
Bank balances and cash		<u>496,252</u>	<u>443,117</u>
		<u>1,121,075</u>	<u>1,380,574</u>
Current liabilities			
Trade and bills payables	12	125,362	138,514
Other payables		142,887	153,155
Contract liabilities		24,723	37,154
Lease liabilities		17,464	19,463
Current tax liabilities		<u>6,941</u>	<u>7,297</u>
		<u>317,377</u>	<u>355,583</u>
Net current assets		<u>803,698</u>	<u>1,024,991</u>
Total assets less current liabilities		<u>1,401,228</u>	<u>1,390,069</u>

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities		<u>27,168</u>	<u>35,475</u>
Net assets		<u>1,374,060</u>	<u>1,354,594</u>
Capital and reserves			
Share capital	<i>13</i>	209,097	209,097
Reserves		<u>1,155,850</u>	<u>1,136,361</u>
Total equity attributable to owners of the Company		1,364,947	1,345,458
Non-controlling interests		<u>9,113</u>	<u>9,136</u>
Total equity		<u>1,374,060</u>	<u>1,354,594</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 (collectively, the “Group”), 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 2022. 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 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.

3. OPERATING SEGMENT INFORMATION

The Group’s operating segments are based on information prepared and reported to the chief operating decision makers, 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Segment revenue		
Retail and wholesale of shoes		
– external sales	1,152,714	1,438,855
– inter-segment sales	–	9
Contract manufacturing of shoes		
– external sales	193,149	146,106
– inter-segment sales	–	8,291
Retail of toys		
– external sales	35,879	44,159
	<hr/>	<hr/>
Segment revenue	1,381,742	1,637,420
Eliminations	–	(8,300)
	<hr/>	<hr/>
Group revenue	1,381,742	1,629,120
	<hr/> <hr/>	<hr/> <hr/>
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Segment results		
Retail and wholesale of shoes	4,560	60,053
	<hr/>	<hr/>
Contract manufacturing of shoes	15,503	(7,876)
	<hr/>	<hr/>
Retail of toys	(59)	(513)
	<hr/>	<hr/>
	20,004	51,664
	<hr/> <hr/>	<hr/> <hr/>
Loss on disposal of subsidiaries	–	(682)
Gain on disposal of an associate	–	2,358
Finance costs	(2,555)	(2,840)
Share of loss of an associate	(145)	(160)
Share of profit of joint ventures	31	144
	<hr/>	<hr/>
Profit before income tax	17,335	50,484
Income tax expense	(2,569)	(21,694)
	<hr/>	<hr/>
Profit for the year	14,766	28,790
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Segment assets		
Retail and wholesale of shoes	1,780,938	1,820,863
Contract manufacturing of shoes	103,767	116,161
Retail of toys	19,876	19,810
	<u>1,904,581</u>	<u>1,956,834</u>
Total segment assets	1,904,581	1,956,834
Eliminations	(286,781)	(287,887)
Unallocated	100,805	76,705
	<u>1,718,605</u>	<u>1,745,652</u>
Total consolidated assets	<u>1,718,605</u>	<u>1,745,652</u>
Segment liabilities		
Retail and wholesale of shoes	280,340	318,035
Contract manufacturing of shoes	227,875	250,770
Retail of toys	29,206	101,702
	<u>537,421</u>	<u>670,507</u>
Total segment liabilities	537,421	670,507
Eliminations	(199,817)	(286,746)
Unallocated	6,941	7,297
	<u>344,545</u>	<u>391,058</u>
Total consolidated liabilities	<u>344,545</u>	<u>391,058</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 2022				
Depreciation of property, plant and equipment	35,735	2,266	23	38,024
Depreciation of right-of-use assets	30,999	4,344	–	35,343
Amortisation of other intangible assets	5,248	–	130	5,378
Write-down/(reversal) of inventories to net realisable value	31,142	(613)	1,025	31,554
Purchase of property, plant and equipment	39,332	296	–	39,628
Purchase of intangible assets	468	–	54	522
Impairment provision in respect of trade receivables	493	–	–	493
Loss on modification of right-of-use assets and lease liabilities	28	–	–	28
Interest income on bank deposits	(7,956)	(241)	(4)	(8,201)
Interest income on other financial assets	(62)	–	–	(62)
	<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 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)
Loss 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)

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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC	1,189,245	1,489,331
The United States of America	192,497	139,789
Total	1,381,742	1,629,120

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

4. REVENUE

	2022 <i>RMB'000</i>	2021 RMB'000
Retail and wholesale of shoes	1,152,714	1,438,855
Contract manufacturing of shoes	193,149	146,106
Retail of toys	35,879	44,159
	<u>1,381,742</u>	<u>1,629,120</u>
Total revenue	<u><u>1,381,742</u></u>	<u><u>1,629,120</u></u>

Disaggregation of revenue from contracts with customers:

	2022 <i>RMB'000</i>	2021 RMB'000
Geographical markets		
The PRC	1,189,245	1,489,331
The United States of America	192,497	139,789
	<u>1,381,742</u>	<u>1,629,120</u>
Total	<u><u>1,381,742</u></u>	<u><u>1,629,120</u></u>
Major products/service		
Retail and wholesale of shoes	1,152,714	1,438,855
Contract manufacturing of shoes	193,149	146,106
Retail of toys	35,879	44,159
	<u>1,381,742</u>	<u>1,629,120</u>
Total	<u><u>1,381,742</u></u>	<u><u>1,629,120</u></u>
Timing of revenue recognition		
At a point in time	<u><u>1,381,742</u></u>	<u><u>1,629,120</u></u>

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>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income			
Government grants	<i>(i)</i>	19,845	30,771
Interest income on bank deposits		8,201	5,147
Interest income on other financial assets		62	22
Gain on disposal of property, plant and equipment		36	563
Interest income on long-term trade debts		9,178	7,453
Service fee income from a former subsidiary	<i>(ii)</i>	457	4,133
Royalties fee income	<i>(iv)</i>	9,482	1,264
Others		9,295	8,328
		<u>56,556</u>	<u>57,681</u>
Other gains and losses			
Net foreign exchange gain/(loss)		8,658	(2,628)
(Impairment)/reversal of impairment provision in respect of trade receivables		(493)	1,064
Gain on disposal of financial assets		211	–
Gain on disposal of an associate		–	2,358
Loss on modification of right-of-use assets and lease liabilities	<i>(iii)</i>	(28)	(162)
Loss on modification of long-term trade debts		(9,896)	–
		<u>(1,548)</u>	<u>632</u>
Total other income and expenses and other gains and losses		<u>55,008</u>	<u>58,313</u>

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) This amount represents the royalties charged for the use of the Group's trademarks in the manufacture and sale of footwear, including men's and women's shoes, children's shoes and leather bags.

6. INCOME TAX

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – PRC Enterprise Income Tax		
Provision for the year	35	30,507
Under-provision in prior years	<u>2,181</u>	<u>43</u>
	2,216	30,550
Deferred tax		
Provision for the year	<u>353</u>	<u>(8,856)</u>
Income tax expenses	<u><u>2,569</u></u>	<u><u>21,694</u></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax	<u><u>17,335</u></u>	<u><u>50,484</u></u>
Tax at the income tax rate of 25% (2021: 25%) (Note)	4,334	12,621
Tax effect of share of loss/(profit) of joint ventures and an associate	29	(36)
Tax effect of expenses not deductible for tax purpose	1,921	3,005
Tax effect of income not taxable for tax purpose	(3,873)	(6,207)
Under-provision in prior years	2,181	43
Tax effect of tax losses not recognised	1,769	11,344
Tax effect of utilisation of tax losses previously not recognised	(5,039)	(95)
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	563	539
Tax effect of other temporary differences not recognised	<u>684</u>	<u>480</u>
Income tax expenses for the year	<u><u>2,569</u></u>	<u><u>21,694</u></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 2022 and 31 December 2021 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 2022 (2021: 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of property, plant and equipment	38,024	31,810
Depreciation of right-of-use assets	35,343	36,751
Amortisation of other intangible assets	5,378	5,211
Directors' emoluments	6,742	7,083
Auditors' remuneration	1,880	1,880
Cost of inventories sold	614,682	685,834
Write-down of inventories to net realisable value (included in cost of inventories sold)	31,554	7,641
Impairment/(reversal of impairment) provision in respect of trade receivables	493	(1,064)
Share-based payment expenses	–	328
Employee benefits expenses		
– Salaries, bonus and allowances	269,231	304,486
– Retirement benefits scheme contributions	51,672	49,231
	<u>320,903</u>	<u>353,717</u>

8. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2022 and 2021.

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 RMB14,789,000 (2021: profit of approximately RMB27,346,000) and the weighted average number of ordinary shares of 2,077,000,000 (2021: 2,076,267,000) 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. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Unlisted equity investments, at fair value	<u>31,051</u>	<u>–</u>

The above investments represented investment in Sequoia Biomed Limited which were intended to be held for the medium to long-term on initial recognition. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

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.

	2022	2021
	RMB'000	RMB'000
Trade receivables	136,552	171,280
Provision for loss allowance	(1,042)	(549)
	135,510	170,731

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

	2022	2021
	RMB'000	RMB'000
0 to 60 days	105,282	147,648
61 to 180 days	25,220	16,252
181 days to 1 year	2,748	6,096
Over 1 year	2,260	735
	135,510	170,731

Reconciliation of loss allowance for trade receivables:

	2022	2021
	RMB'000	RMB'000
At the beginning of year	549	1,613
Increase/(decrease) in loss allowance for the year	493	(1,064)
At the end of year	1,042	549

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 2022				
Weighted average expected loss rate	0%	2%	4%	1%
Receivable amount (RMB'000)	118,085	16,105	2,362	136,552
Loss allowance (RMB'000)	589	361	92	1,042
At 31 December 2021				
Weighted average expected loss rate	0%	1%	55%	0%
Receivable amount (RMB'000)	149,209	21,593	478	171,280
Loss allowance (RMB'000)	159	128	262	549

12. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	125,310	138,514
Bills payables	52	–
	<u>125,362</u>	<u>138,514</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 90 days	118,134	130,791
91 to 180 days	1,135	949
181 days to 1 year	590	1,980
Over 1 year	5,451	4,794
	<u>125,310</u>	<u>138,514</u>

13. SHARE CAPITAL

	Number of shares	Amount <i>USD'000</i>
Ordinary shares of USD0.015 each		
Authorised:		
At 1 January 2021 and 31 December 2021, 1 January 2022 and 31 December 2022	<u>20,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1 January 2021 and 31 December 2021, 1 January 2022 and 31 December 2022	<u>2,077,000,000</u>	<u>31,155</u>
		Amount <i>RMB'000</i>
At 1 January 2021 and 31 December 2021, 1 January 2022 and 31 December 2022		<u>209,097</u>

During the year ended 31 December 2022 and 2021, the Company did not repurchase any shares through the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Battered by domestic challenges largely caused by the frequent COVID-19 outbursts and disruptive external headwinds, including geopolitical conflicts, the Chinese economy encountered an unprecedented tough year in 2022.

China recorded GDP growth of 3% in 2022, the slowest in history and a slowdown from 8.4% in the previous year. Energy woes, shipping and logistic disruptions and a deepening real estate crisis weighed on the world's second-largest economy. China's total retail sales of social consumer goods decreased by 0.2% from the previous year. While the overall retail sales of consumer goods other than automobiles was down 0.4%, the sub-category comprising garments, footwear, hats and knitwear recorded a decrease of 6.5% year-on-year, the second largest drop after the furniture sub-category.

Consumer Confidence Index ("CCI") remained at an all-time low for nine consecutive months since April 2022. Domestic consumer spending remained uncertain and pessimistic, signifying a decline in consumption capacity and willingness due to stringent pandemic control measures, the rise in prices, and unemployment worries. 'Singles' Day', or 'Double 11', the world's biggest annual shopping festival, also saw a significant slowdown given the tough competition, a weakening economy, and weakening consumer sentiment.

Worse still, another wave of COVID-19 infections rapidly reached a peak after the Chinese government fully relaxed epidemic prevention measures in the last month of the year. As the disruptions occurred during the traditional peak sales season, the retail industry suffered another blow in income.

In response to the prolonged economic challenges and the complex business environment, the Company remained persistent in implementing organizational structure adjustments to re-ignite growth momentum. Diligent measures were adapted to capitalize on the Company's competitiveness and brand values to maintain sustainable growth and mitigate market risks.

Seize Market Opportunities through Social Media and Livestreaming E-commerce

Internet users in China spent nearly two hours a day browsing social media in 2022. Not only did they spend time on social media to connect with friends and follow the latest news, but they also received information on new products, sought (and shared) fashion styles, and obtained the best deals. In 2022, around 84% of Chinese consumers have shopped on social media platforms, making it one of the world's highest.

Social commerce utilizes social networking platforms to connect merchants, influencers and potential consumers. Undoubtedly, it is leading the future of China's e-commerce, including the fashion and apparel industry.

Livestreaming e-commerce has been thriving in China and has evolved into an innovative sales channel. The market size was projected to reach US\$423 billion in 2022, as the COVID-19 pandemic intensified the growth momentum. Fashion and apparel were the leading categories amongst livestreaming sales activities. While Generation Z and millennials dominate livestreamers and Key Opinion Leaders (“KOLs”), an increasing number of middle-aged and more senior consumers are attracted by live commerce.

During the pandemic, the spread of COVID-19 and strict movement measures in Mainland China spurred further growth in e-commerce. Livestreaming e-commerce gained further prominence and proved itself a viable way to market and sell all kinds of products online.

As the Company always seeks to innovate and expand its reach to the targeted customers, it allocated more resources to livestreaming e-commerce operations during the year under review. Since 2021, the Company has collaborated with first-tier KOLs and extended to second-tier e-commerce livestreamers in 2022. A dedicated team was established to allow stronger support in livestreaming e-commerce. The team participated intensively in the planning and developing of content for livestreaming events, including product mix-and-match, storylines, scripts, and hosts or influencers.

Despite the popularity livestreamers enjoy, the shortfall of a comparatively high return rate prevails across the livestreaming e-commerce market. While expanding its footprint, the Company will diligently consider, monitor and control the inventory risk arising from this innovative sales channel. As Chinese consumers increasingly shift away from traditional mass media and look to mobile devices for information and entertainment, livestreaming is expected to remain influential in e-commerce. The Company views livestreaming e-commerce as a modern hybrid of in-person and online shopping and one that has continued to exhibit a positive advertising effect.

A stronger and more visible social media presence and digital marketing strategies that resonate with consumers are vital for any fashion player to win over the younger generation of consumers. The Company will continue to attract and engage consumers through extraordinary stories featuring our brands and innovative products. The Company will also continue partnering with digital media content creators and social media influencers to spearhead its digital-first marketing strategy and attract younger customers.

Build Private Traffic

The establishment of an omnichannel that composes both an online and an offline presence is indispensable in today’s marketing. However, the cost of attracting online traffic is getting higher and higher in China. “Private Traffic (私域流量)” thus has emerged. Retailers and brands have begun seeking ways to “own” their customer base by creating and generating private traffic on social media sites and channels. It is a marketing method where communication with customers is funneled into private pools on platforms that allow brands and retailers to have maximized or full control, reaching customers easier at a lower cost. In short, customer acquisition costs can be reduced, and direct communication would enhance customer loyalty and result in higher customer stability. Effective private traffic can also increase brand value and brand awareness. It reaches users, retains users, nurtures customer loyalty, and converts traffic to sales.

The Company initiated the creation of private traffic in 2021 with a resolute focus on the gradual increase in the number of fans and followers. In 2022, we went from 0 to 1 in the advancement of revenue generated from private traffic and achieved a breakthrough in sales. The Company capitalized on a refined operation of private traffic, and the annual GMV of our WeChat mini-program reached over 60 million in 2022. The revenue generated significantly increased by 90% year-on-year. The number of consumers was more than eight million as of the end of 2022, an increase of 110% year-on-year, and there were over two million followers on the Company's WeChat corporate account. Private traffic is now a new growth point for the Company's online presence.

The Company also made accomplishments in terms of private traffic efficiency that exhibited satisfactory results. New customer conversion rate reached 50%, repurchase rate on private traffic reached 40%, membership consumption accounted for 50%, and the growth rate of return on investment of membership marketing reached almost 90%. In addition, the store conversion rate increased by 50% year-on-year, and the number of visitors to the Company's offline stores increased by 90%.

The encouraging results of the Company's private traffic strategy are attributable to the effective tactics and approach. The Company did not define or limit private traffic as a transaction channel. Instead, the Company considered private traffic as a one-stop consumer experience platform that integrates product sales, service experience, brand promotion and membership operations, among others.

Omnichannel Layout Integrating Online and Offline Presence

An omnichannel integrates sales, marketing and customer support and seeks to provide customers with a seamless and unified shopping experience online and offline, regardless of which channel is engaged.

The COVID-19 pandemic has brought unprecedented changes to the shopping habits and experiences of millions of customers around the world. It accelerated digital transformation and led to an unprecedented surge in e-commerce. As lockdowns became the new normal last year, businesses and consumers increasingly "went digital" under the "stay-at-home economy", providing and purchasing more goods and services online. China's fast-growing internet backbone and logistic infrastructure also enable people to enjoy many services without leaving their homes.

As part of its transformation strategies, the Company seized the opportunities and continued to reinforce its online presence in the reporting period. The Company's omnichannel layout aspires to provide a set of seamlessly integrated channels that cater to customers' preferences and, ultimately, lead to sales conversion.

During the reporting period, the Company further developed its omnichannel presence with a focus on the overall quality of interaction between customers and brands that can meet their satisfaction and retain loyalty through their shopping journey and beyond.

In addition to cooperation with renowned e-commerce platforms such as Vipshop, Tmall, and JD.com, the Company also dedicated resources to social media platforms to proactively interact with existing and potential customers. We are cooperating with Tik Tok (Douyin) and Kuai Shou, China's largest short-video platforms, and we broadcast livestream at our Tmall Shop regularly.

As the Company seeks to enlarge its online presence, it has also reallocated resources and reassigned functions to unleash the edges of respective online platforms. This approach is devised to serve multiple tasks, including new product roll-outs, tiered management of merchandise, optimized operation in online flagship stores, hot-item sales and promotion, nurturing a young customer base, and inventory management.

The Company emphasizes the quality of backend support and customer service which are essential to a satisfactory shopping experience. During the reporting period, the Company carried out internal reviews and further strengthened the in-house training of the teams. The Company also promoted efficient communication with third-party e-commerce platform partners to ensure streamlined store operation on the platforms.

Optimization of Retail Network

Optimization of the retail network has been the Company's pivotal strategy in the last three years. It comprises readjusting the offline physical retail store network and establishing an online presence visible to the target customers with precision. As the Company continues to assess the change in consumption patterns and behavioral shifts at local, regional and national levels, it diligently examines store performance to enhance overall distribution channel efficiency.

Since 2016, the Company boldly adopted the Outlets (factory direct-sale store) (奧特萊斯店) model, which has proven to be successful in delivering significantly greater operational efficiency and a substantial contribution to the Company's profit. The Company's Outlets are primarily located in the shopping areas or those districts that enjoy proximity to residents. This well accommodates the Company's multi-brand strategy, as well as lowers operational costs.

Considering the encouraging performance of the Outlets operation, the Company added new ones in 2022. The Company has strengthened the strategic cooperation with Bailian Group (百聯集團) and Sasseur Group (砂之船集團) in outlets expansion and will extend strategic partnerships with influential chain network operators, including Shan Shan Commercial Group (杉杉商業集團) and Wangfujing Group (王府井集團). As the Chinese government fully relaxed COVID-19 control measures at the year end of 2022, the Company will seize opportunities to rationalize its distribution channel structure. The Company will maintain a deliberate pace in Outlets expansion in accordance with the local market potential as we continue to optimize the Company's distribution network. A focused strategy in the Outlets operation will empower the Company to succeed in a cost-effective distribution network, leading to a gradual recovery in business performance.

On the other hand, shopping malls and department stores in China have been encountering a shift in shopping patterns amid a rise in e-commerce, a decline in visitors and the COVID-19 pandemic which kept consumers home prolongedly. Accordingly, the Company suspended the expansion of stores inside shopping malls during the year under review. The Group will adopt a selective approach in expanding its shopping mall footprint, focusing on operational cost and efficiency, and continue to advocate the core strategy of multi-branding in optimizing its presence in the department store channel.

As part of its ongoing revitalizing strategy, the Company closed unprofitable stores during the reporting period to rationalize resource allocation. However, the Company will not close down too many retail outlets to avoid a substantial impact on market share. The Company has successfully implemented stringent cost control measures and realized an overall drop in distribution channel expenses during the year under review. We aim to further reduce rental costs in 2023 as we strive to increase bargaining power to win favorable tenancy terms.

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

Distribution Regions	C.banner		EBLAN		MIO		Natursun	Badgley Mischka	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	
Northeast	79	17	25	-	13	12	-	-	146
Northern China	92	70	22	-	15	24	6	-	229
Eastern China	168	33	45	-	51	4	33	3	337
Shanghai	86	1	4	-	13	-	13	3	120
Southern China	89	7	1	-	11	-	2	-	110
Western China	100	11	12	2	16	3	3	-	147
Total	<u>614</u>	<u>139</u>	<u>109</u>	<u>2</u>	<u>119</u>	<u>43</u>	<u>57</u>	<u>6</u>	<u>1,089</u>

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 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

In China and globally, the demand for casual shoes is rising as people require a pair of footwear that is multifunctional yet comfortable. They are looking for footwear that will go with most of the attires and various occasions, and this requirement is being satisfied by casual shoes, which will continue to boom the market. The pandemic has also accelerated the trend towards more relaxed work clothes, a shift already visible among fashion brands.

On the other hand, athleisure has seen strong demand over the last few years, driven by rising health awareness and a growing enthusiasm for wellness and fitness activities alongside the acceleration of the casualization trend amid the pandemic.

In China, the new young generation is taking over to become one of the main buying forces of consumer goods. Their changing cultural values and shopping habits are yet to be uncovered, however. As they may consider fashion as personal expression, they are also price-sensitive and discerning.

Solidly backed by premium quality in business and business casual footwear, C.banner enjoys strong brand value and high brand recognition. This advantage is poised to serve a robust foundation that the Company can leverage to attract a new generation of young customers, thus enriching its customer base.

As a leading and well-established footwear group in China, the Company has built up a proprietary brand portfolio comprising “C.banner”, “EBLAN”, “Sundance”, “MIO”, “BADGLEY MISCHKA” and “Naturesun”, each uniquely positioned for diverse customer preferences. The portfolio denotes our reputation in quality shoe manufacturing and our outstanding product design capabilities focusing on style, comfortability and marketability. The multiple-brand strategy allows the Company to respond to varying consumer choices and evolving market trends swiftly.

Integrated and Optimized Resources for Product Upgrades and Product Quality

Product life cycles are becoming shorter, and trends in fast fashion are changing rapidly. For a company to have a competitive edge in the market, it is essential to have new products manufactured and delivered within the shortest possible time span.

Over the years, C.banner has established a comprehensive manufacturing management system encompassing the entire production value chain from upstream, midstream, to downstream. We have mastered the knowledge and acumen in modern production, fabulous designs, befitting technologies, and shoe-making skills. Our manufacturing process stays agile and can be adjusted in response to changing customer preferences. We employ a well-coordinated team of designers, modelers and shoe technicians to ensure efficient and high-quality product development. The application of big data drawn from our ample customer database can further empower product upgrades.

At C.banner, product quality has been placed at the centric of our manufacturing operation. Footwear is a highly complex product that uses a wide range of materials and requires a number of different production processes. We have established dedicated teams of staff to closely monitor the entire value chain from raw material procurement to the end products and packaging.

Improved Manufacturing and Logistics Efficiency

In the changing economic environment where customer demands continuously evolve, enterprises must focus on efficiency improvement, cost reduction, higher productivity and profitability. During the reporting period, the Company continued to reform, reshape, and hone its production lines, adopt the latest technologies that can fuel our quality manufacturing of shoes, and review its operations from time to time to improve production efficiency.

Intelligent manufacturing is the invincible future trend of Industry 4.0: automation of manufacturing, upgrading of industrial practices, and use of modern and smart technology. Following the completion of Phase I construction of the production plant in Xuzhou, Jiangsu Province, the Company's manufacturing process and efficiency were further improved with an upgrade in equipment and machines. Phase II of the production base has commenced, and the Company's production capacity will be further expanded upon operation, allowing even greater room for product upgrades.

As part of its cost control and operational efficiency enhancement measures, the Company has outsourced all logistics operations to third-party logistics companies (except for the main warehouse at the Xuzhou production base, which is retained for large cargo turnover). The Company has partnered strategically with leading third-party warehousing and logistics service providers. The outsourcing enables efficient distribution and delivery of products in proximity to the logistics networks and allows flexibility according to our business scale and strategies, reducing the Company's warehousing, logistics and management costs.

In the face of new economic realities, an organization shall adjust its structure in order to ensure long-term viability. The Company spent extra effort on communication costs in the reporting period to enhance operational efficiency. Certain organizational structure of the Company was adjusted to allow quicker and more effective communications between different departments and business units. The changes have enabled a faster flow of information across departments and quicker responses to management decisions.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group's total revenue decreased by 15.2% to RMB1,381.7million, compared to the same period of last year. Gross profit decreased by 18.7% to RMB767.1million. The Group recorded a profit of RMB14.8 million, compared to a profit of RMB28.8 million in the same period of last year, a decrease of 48.6%.

Revenue

For the year ended 31 December 2022, the Group's total revenue decreased by 15.2% to RMB1,381.7million, compared to RMB1,629.1 million for the same period of last year. The decrease was mainly due to the continuous impact of the COVID-19 pandemic, resulting in many adverse consequences such as shortening of store opening hours or even directly closing stores, limited logistics and reduced customer flow.

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:

	For the year ended 31 December				
	2022		2021		% Growth
	RMB ('000)	% of Total Revenue	RMB ('000)	% of Total Revenue	
Retail and Wholesale	1,152,714	83.4	1,438,855	88.3	(19.9)
Contract Manufacturing	193,149	14.0	146,106	9.0	32.2
Retail of Toys	35,879	2.6	44,159	2.7	(18.8)
Total	<u>1,381,742</u>	<u>100</u>	<u>1,629,120</u>	<u>100</u>	<u>(15.2)</u>

Profitability

For the year ended 31 December 2022, the gross profit of the Group decreased by 18.7% to RMB767.1 million, the gross profit margin was 55.5%, a decrease of 2.4 percentage points from 57.9% last year. The decrease in gross profit margin was mainly due to the decrease in the proportion of revenue from Retail and Wholesale with higher gross profit margin to total revenue.

For the year ended 31 December 2022, distribution and selling expenses of the Group reached RMB694.9 million, a decrease of 16.3% compared to expenses of RMB830.4 million last year. The decrease was mainly due to the decrease in channel fees and salary expenses as a result of the decrease in revenue. Distribution and selling expenses accounted for 50.3% of total revenue, compared to 51.0% last year. The decrease was mainly due to the adjustment and optimization of the Group's retail network.

The Group controlled expenses through continuous optimization of the organization and various measures. For the year ended 31 December 2022, administrative and general expenses amounted to RMB107.2 million, a decrease of RMB9.9 million compared to the same period of last year. Administrative and general expenses accounted for 7.8% of total revenue, compared to 7.2% last year.

For the year ended 31 December 2022, the Group's other income and expenses and other gains and losses recorded a net profit of RMB55.0 million as compared to RMB58.3 million last year. Other income and expenses and other gains and losses mainly included government subsidies, brand use rights, interest income on bank deposits and net foreign exchange gain. The decrease was mainly attributable to the decrease in government subsidies.

For the year ended 31 December 2022, the Group recorded finance costs of RMB2.6 million, compared to RMB2.8 million last year. The decrease was mainly attributable to lower lease liabilities.

For the year ended 31 December 2022, the Group's income tax expense decreased by RMB19.1 million to RMB2.6 million, compared to an expense of RMB21.7 million last year. The decrease was mainly attributable to the decrease in taxable profit and change in tax effect of tax losses not recognised. For the year ended 31 December 2022, the profit attributable to owners of the Company of RMB14.8 million, as compared to the profit of approximately RMB27.3 million recorded in 2021.

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 2022, the Group had cash and cash equivalents of RMB496.3 million (2021: RMB443.1 million).

As at 31 December 2022 and 31 December 2021, 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 2022 and 31 December 2021, 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 2022, the Group had no bank borrowings denominated in foreign currency.

Pledge of Asset

As of 31 December 2022, the Group had no pledge of asset.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 2022.

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 14.0% 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 2022, the Group recorded a gain of RMB8.7 million from currency exchange, compared to a loss of RMB2.6 million last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2022, the Group had 4,788 employees (31 December 2021: 5,180 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 2022 (2021: nil).

Events after the Reporting Period

There were no significant events after 31 December 2022 and up to the date of this results announcement.

Outlook

China's severe COVID lockdowns since the start of the pandemic undoubtedly contributed to an economic downturn last year. The removal of COVID-19 restrictions in December 2022 allowed more opportunities for consumers to shop and spend for the first time in almost three years. Now China has put its economy back on the fast track.

Looking to 2023, China's economy is expected to see a robust improvement and strong rebound. The Chinese central government is crafting favorable policies aimed at unlocking consumer savings that have built up during the pandemic. While the central bank is focusing on supporting domestic demand expansion and stabilizing economic growth and prices, financial institutions are encouraged to lend more to private sector businesses. As the economic environment improves, consumers' confidence will further increase. China's footwear industry in China will usher in new development opportunities.

The Company's management remains cautiously optimistic about the market performance in the years to come and is committed to leveraging the competitiveness and resource advantage we have inherited over decades as we navigate through challenges and opportunities.

For consumers, brands are more than just corporate logos. They reflect personality, identity and attitude. With a board portfolio of in-house brands established, C.banner is well-positioned to entrench itself amid keen competition. The Company will align the resources to increase our brand awareness amongst consumers and continue to craft a compelling narrative around our individual brands. Our marketing strategies will be refined and reinvented to enhance brand equity and influence, which will be conducive to boosting customer loyalty in breadth and depth.

Our commitment to inventing and building our online presence through a mix of social media platforms last year has proven conducive to engaging the new generation customers. In 2023 and beyond, we will further our effort in the implementation of a new retail matrix integrating online and offline operations. We will introduce a digitalization of offline store operation management incorporating an upgrade of the membership system, which will be consolidated across our distribution channels. A comprehensive customer relationship infrastructure will empower precision marketing to fortify customer loyalty, generate repeated sales, attract new customers, and generate sales revenue at a lower cost.

A solid offline retail distribution network serves as a substantial differentiator that allows our customers to see, touch and feel. It synergizes with the Company's online resources and strategies in building an omnichannel sales network. We will continue to fortify the offline distribution channel of the respective brands with an emphasis on developing a quality presence. As Outlets, shopping malls and department stores compose the Company's offline sales network ecosystem, we will adopt a divergent approach in each commercial mode to enhance sell-through rates and minimize inventory rates so as to increase operational profit.

As new technology, materials and production skills continue to emerge, the management of the Company will identify the room for improvement in the product chain to keep abreast of changes. The research center in Guangzhou has been transformed to meet the changes brought by COVID-19 with a focus on new materials, production skills and techniques, and novel shoe structures and functions. From design and R&D to production, the Company aspires to deliver greater value to our customers.

Supply chain management involves a network of suppliers connected via a centralized management process. It plays a crucial role in customer satisfaction, ensuring the ability to fulfill customer promises and deliver products amid a fast-changing market environment. With a focus on product quality, effective inventory management and production cost control, the Company will continue to examine and identify the shortfalls of the existing practice and reform the supply chain system when necessary. On the other hand, we will work closely with external supply chain partners to secure a sustainable operation of our supply chain system. As a critical part of business operations, the Company has further improved the traditional supply chain system by reforming and upgrading the seasonal order-placing fairs model. In addition to bulk orders and purchases, small-batch production is adapted to allow an accelerated response to ongoing market changes.

The Company has successfully weathered the unprecedented challenges brought on by the COVID-19 pandemic. As the Chinese economy is set to rebound with the introduction of supportive monetary policy and stimulus packages boosting consumption, the pressure on the Company's operating condition and financial performance is yet diminished, however. On the road to sustainable development, we will stay bold and determine to embrace challenges and remain resilient and pragmatic in steering our business operation.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the identity of the shareholders of the Company who are entitled to attend the forthcoming annual general meeting of the Company to be held on Friday, 30 June 2023, the register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023, both days inclusive, during which period no transfer of share will be registered. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 26 June 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under Part 2 of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 December 2022. 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 2022.

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 2022 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 opinion or assurance conclusion 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, 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 2022 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 2022 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 March 2023

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.