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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 2023

ANNUAL RESULTS HIGHLIGHTS

| | Year ended 31 December | |
|--|-------------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue | 1,539,942 | 1,381,742 |
| Gross profit | 871,436 | 767,060 |
| Profit before income tax | 95,156 | 17,335 |
| Income tax expenses | (74,202) | (2,569) |
| Profit for the year | 20,954 | 14,766 |
| Profit/(loss) for the year attributable to: | | |
| Owners of the Company | 20,830 | 14,789 |
| Non-controlling interests | 124 | (23) |
| | 20,954 | 14,766 |
| | % | % |
| Gross profit margin | 56.6 | 55.5 |
| Operating profit margin | 6.2 | 1.3 |
| Net profit margin | 1.4 | 1.1 |
| Earnings per share | | |
| – Basic (RMB cents) | 1.00 | 0.71 |
| – Diluted (RMB cents) | 1.00 | 0.71 |

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 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Revenue | 4 | 1,539,942 | 1,381,742 |
| Cost of sales | | <u>(668,506)</u> | <u>(614,682)</u> |
| Gross profit | | 871,436 | 767,060 |
| Other income and other gains and losses | 5 | 79,877 | 55,008 |
| Distribution and selling expenses | | (740,724) | (694,879) |
| Administrative and general expenses | | (113,810) | (107,185) |
| Share of loss of an associate | | (272) | (145) |
| Share of profit of a joint venture | | 1,617 | 31 |
| Finance costs | | <u>(2,968)</u> | <u>(2,555)</u> |
| Profit before income tax | | 95,156 | 17,335 |
| Income tax expenses | 6 | <u>(74,202)</u> | <u>(2,569)</u> |
| Profit for the year | 7 | <u>20,954</u> | <u>14,766</u> |
| Other comprehensive (expenses)/income: | | | |
| <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>(3,144)</u> | <u>4,700</u> |
| Other comprehensive (expenses)/income for the year | | <u>(3,144)</u> | <u>4,700</u> |
| Total comprehensive income for the year | | <u>17,810</u> | <u>19,466</u> |

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| Profit/(loss) for the year attributable to: | | | |
| Owners of the Company | | 20,830 | 14,789 |
| Non-controlling interests | | 124 | (23) |
| | | <u>20,954</u> | <u>14,766</u> |
| Total comprehensive income/(expenses) attributable to: | | | |
| Owners of the Company | | 17,686 | 19,489 |
| Non-controlling interests | | 124 | (23) |
| | | <u>17,810</u> | <u>19,466</u> |
| Earnings per share | <i>9</i> | | |
| – Basic (RMB cents) | | <u>1.00</u> | <u>0.71</u> |
| – Diluted (RMB cents) | | <u>1.00</u> | <u>0.71</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | <i>Notes</i> | 2023 | 2022 |
|--|--------------|------------------|----------------|
| | | RMB'000 | <i>RMB'000</i> |
| Non-current assets | | | |
| Property, plant and equipment | | 157,442 | 148,528 |
| Right-of-use assets | | 79,954 | 77,658 |
| Other intangible assets | | 10,597 | 15,050 |
| Goodwill | | 5,725 | 5,725 |
| Interest in an associate | | – | 272 |
| Interest in a joint venture | | – | 6,648 |
| Equity investments at fair value through other comprehensive income (“FVTOCI”) | <i>10</i> | 27,907 | 31,051 |
| Deferred tax assets | | 34,812 | 62,387 |
| Long-term deposits, other receivables and prepayments | <i>12</i> | 14,945 | 250,211 |
| | | 331,382 | 597,530 |
| Current assets | | | |
| Inventories | | 333,985 | 457,265 |
| Trade receivables | <i>11</i> | 167,612 | 135,510 |
| Other receivables and prepayments | <i>12</i> | 253,090 | 31,601 |
| Current tax assets | | 10 | 447 |
| Bank balances and cash | | 663,455 | 496,252 |
| | | 1,418,152 | 1,121,075 |
| Current liabilities | | | |
| Trade and bills payables | <i>13</i> | 135,399 | 125,362 |
| Other payables | | 147,447 | 142,887 |
| Contract liabilities | | 30,189 | 24,723 |
| Lease liabilities | | 14,697 | 17,464 |
| Current tax liabilities | | 23,391 | 6,941 |
| | | 351,123 | 317,377 |
| Net current assets | | 1,067,029 | 803,698 |
| Total assets less current liabilities | | 1,398,411 | 1,401,228 |

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 |
|--|--------------|-------------------------------|------------------|
| Non-current liabilities | | | |
| Lease liabilities | | <u>6,541</u> | <u>27,168</u> |
| Net assets | | <u>1,391,870</u> | <u>1,374,060</u> |
| Capital and reserves | | | |
| Share capital | <i>14</i> | 209,097 | 209,097 |
| Reserves | | <u>1,173,536</u> | <u>1,155,850</u> |
| Total equity attributable to owners of the Company | | 1,382,633 | 1,364,947 |
| Non-controlling interests | | <u>9,237</u> | <u>9,113</u> |
| Total equity | | <u>1,391,870</u> | <u>1,374,060</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 Company and its subsidiaries are collectively referred to as the “Group”.

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 Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s 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 (“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 share of (loss)/profit of an associate and a joint venture, finance costs and income tax expenses. Segment assets do not include interest in an associate, deferred tax assets, current tax assets, interest in a joint venture, and other unallocated head office and corporate assets. Segment liabilities do not include income tax liabilities.

The Group accounts for inter-segment 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:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Segment revenue | | |
| Retail and wholesale of shoes | | |
| – external sales | 1,356,413 | 1,152,714 |
| Contract manufacturing of shoes | | |
| – external sales | 123,299 | 193,149 |
| – inter-segment sales | 13 | – |
| Retail of toys | | |
| – external sales | 60,230 | 35,879 |
| | <hr/> | <hr/> |
| Segment revenue | 1,539,955 | 1,381,742 |
| Eliminations | (13) | – |
| | <hr/> | <hr/> |
| Group revenue | <u>1,539,942</u> | <u>1,381,742</u> |
| | | |
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| Segment results | | |
| Retail and wholesale of shoes | <u>96,234</u> | <u>4,560</u> |
| Contract manufacturing of shoes | <u>(652)</u> | <u>15,503</u> |
| Retail of toys | <u>1,197</u> | <u>(59)</u> |
| | <hr/> | <hr/> |
| | 96,779 | 20,004 |
| Finance costs | (2,968) | (2,555) |
| Share of loss of an associate | (272) | (145) |
| Share of profit of a joint venture | 1,617 | 31 |
| | <hr/> | <hr/> |
| Profit before income tax | 95,156 | 17,335 |
| Income tax expenses | (74,202) | (2,569) |
| | <hr/> | <hr/> |
| Profit for the year | <u>20,954</u> | <u>14,766</u> |

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------------------|------------------------|------------------------|
| Segment assets | | |
| Retail and wholesale of shoes | 2,265,596 | 1,780,938 |
| Contract manufacturing of shoes | 151,477 | 103,767 |
| Retail of toys | 19,679 | 19,876 |
| | <u>2,436,752</u> | <u>1,904,581</u> |
| Total segment assets | 2,436,752 | 1,904,581 |
| Eliminations | (749,947) | (286,781) |
| Unallocated | 62,729 | 100,805 |
| | <u>1,749,534</u> | <u>1,718,605</u> |
| Total consolidated assets | <u>1,749,534</u> | <u>1,718,605</u> |
| Segment liabilities | | |
| Retail and wholesale of shoes | 382,412 | 280,340 |
| Contract manufacturing of shoes | 660,243 | 227,875 |
| Retail of toys | 40,416 | 29,206 |
| | <u>1,083,071</u> | <u>537,421</u> |
| Total segment liabilities | 1,083,071 | 537,421 |
| Eliminations | (748,798) | (199,817) |
| Unallocated | 23,391 | 6,941 |
| | <u>357,664</u> | <u>344,545</u> |
| Total consolidated liabilities | <u>357,664</u> | <u>344,545</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 2023 | | | | |
| Depreciation of property, plant and equipment | 35,540 | 898 | 937 | 37,375 |
| Depreciation of right-of-use assets | 27,732 | 4,210 | – | 31,942 |
| Amortisation of other intangible assets | 5,061 | – | 152 | 5,213 |
| Write-down/(reversal) of inventories to net realisable value | 4,395 | (802) | (1,025) | 2,568 |
| Purchase of property, plant and equipment | 46,520 | 296 | – | 46,816 |
| Purchase of intangible assets | 706 | – | 54 | 760 |
| Impairment provision in respect of trade receivables | 463 | – | – | 463 |
| Gain on early termination of right-of-use assets and lease liabilities | (3,264) | – | – | (3,264) |
| Interest income on bank deposits | (8,427) | (83) | (4) | (8,514) |
| Interest income on other financial assets | (48) | – | – | (48) |
| | <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 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) |

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 | |
|------------------------------|---------------------------------|------------------------|
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| The PRC | 1,417,612 | 1,189,245 |
| The United States of America | 122,330 | 192,497 |
| Total | 1,539,942 | 1,381,742 |

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

4. REVENUE

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Retail and wholesale of shoes | 1,356,413 | 1,152,714 |
| Contract manufacturing of shoes | 123,299 | 193,149 |
| Retail of toys | 60,230 | 35,879 |
| | <u>1,539,942</u> | <u>1,381,742</u> |
| Total revenue | <u><u>1,539,942</u></u> | <u><u>1,381,742</u></u> |

Disaggregation of revenue from contracts with customers:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Geographical markets | | |
| The PRC | 1,417,612 | 1,189,245 |
| The United States of America | 122,330 | 192,497 |
| | <u>1,539,942</u> | <u>1,381,742</u> |
| Total | <u><u>1,539,942</u></u> | <u><u>1,381,742</u></u> |
| Major products/service | | |
| Retail and wholesale of shoes | 1,356,413 | 1,152,714 |
| Contract manufacturing of shoes | 123,299 | 193,149 |
| Retail of toys | 60,230 | 35,879 |
| | <u>1,539,942</u> | <u>1,381,742</u> |
| Total | <u><u>1,539,942</u></u> | <u><u>1,381,742</u></u> |
| Timing of revenue recognition | | |
| At a point in time | <u><u>1,539,942</u></u> | <u><u>1,381,742</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 OTHER GAINS AND LOSSES

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Other income | | | |
| Government grants | <i>(i)</i> | 41,425 | 19,845 |
| Interest income on bank deposits | | 8,514 | 8,201 |
| Interest income on other financial assets | | 48 | 62 |
| Gain on disposal of property, plant and equipment | | 240 | 36 |
| Interest income on long-term trade debts (<i>Note 12</i>) | | 9,340 | 9,178 |
| Service fee income from a former subsidiary | | – | 457 |
| Royalties fee income | <i>(iii)</i> | 14,748 | 9,482 |
| Others | | 10,241 | 9,295 |
| | | <hr/> 84,556 | <hr/> 56,556 |
| Other gains and losses | | | |
| Net foreign exchange gain | | 1,858 | 8,658 |
| Impairment provision in respect of trade receivables | | (463) | (493) |
| Gain on disposal of financial assets | | – | 211 |
| Gain/(loss) on early termination of right-of-use assets and lease liabilities | <i>(ii)</i> | 3,264 | (28) |
| Loss on modification of long-term trade debts (<i>Note 12</i>) | | (9,338) | (9,896) |
| | | <hr/> (4,679) | <hr/> (1,548) |
| Total other income and other gains and losses | | <hr/> 79,877 | <hr/> 55,008 |

Notes:

- (i) The amount mainly represented the unconditional subsidies received from the local governments in the PRC where the Group entities were located for encouragement of business development activities in the local area.
- (ii) The amount mainly represented the gain/(loss) on early termination of rental agreements.
- (iii) This amount represented 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 EXPENSES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current tax – PRC Enterprise Income Tax | | |
| Provision for the year | 284 | 35 |
| Under-provision in prior year | – | 2,181 |
| | <u>284</u> | <u>2,216</u> |
| Current tax – PRC withholding tax | 46,343 | – |
| Deferred tax | | |
| Provision for the year | 27,575 | 353 |
| Income tax expenses | <u>74,202</u> | <u>2,569</u> |

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Profit before income tax | <u>95,156</u> | <u>17,335</u> |
| Tax at the income tax rate of 25% (2022: 25%) (Note) | 23,789 | 4,334 |
| Tax effect of share of (profit)/loss of a joint venture and an associate | (336) | 29 |
| Tax effect of expenses not deductible for tax purpose | 6,502 | 1,921 |
| Tax effect of income not taxable for tax purpose | (3,427) | (3,873) |
| Under-provision in prior year | – | 2,181 |
| Tax effect of tax losses not recognised | 1,179 | 1,769 |
| Tax effect of utilisation of tax losses previously not recognised | (722) | (5,039) |
| Effect of different tax rates of group entities operating in jurisdictions other than the PRC | 43 | 563 |
| Tax effect on withholding tax on distributed profits in the PRC | 46,343 | – |
| Tax effect of other temporary differences not recognised | <u>831</u> | <u>684</u> |
| Income tax expenses for the year | <u>74,202</u> | <u>2,569</u> |

Notes:

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 2023 and 31 December 2022 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 2023 (2022: 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% or 10%. 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%.

During the year ended 31 December 2023, certain wholly-owned subsidiaries of the Group incorporated in the PRC had declared dividend amounted to RMB463,430,000 in aggregate to the subsidiary of the Group incorporated in Hong Kong. Such dividend is subjected to the withholding tax at 10%. Income tax of RMB46,343,000 in relation to withholding tax had been recognised for the year ended 31 December 2023.

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Depreciation of property, plant and equipment | 37,375 | 38,024 |
| Depreciation of right-of-use assets | 31,942 | 35,343 |
| Amortisation of other intangible assets | 5,213 | 5,378 |
| Auditor's remuneration | 1,880 | 1,880 |
| Cost of inventories sold | 668,506 | 614,682 |
| Write-down of inventories (included in cost of inventories sold) | 2,568 | 31,554 |
| Impairment provision in respect of trade receivables | 463 | 493 |
| Employee benefits expenses (including directors' emoluments) | | |
| – Salaries, bonus and allowances | 283,192 | 269,231 |
| – Retirement benefits scheme contributions | 51,633 | 51,672 |
| | <u>334,825</u> | <u>320,903</u> |

8. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

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 RMB20,830,000 (2022: approximately RMB14,789,000) and the weighted average number of ordinary shares of 2,077,000,000 (2022: 2,077,000,000) 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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Unlisted equity investments, at fair value | <u>27,907</u> | <u>31,051</u> |

The above investments represented investment in Sequoia Biomed Limited (“Sequoia”) which were intended to be held for the medium to long-term on initial recognition. Designation of these investments as equity investments at FVTOCI 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.

| | 2023 | 2022 |
|------------------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| Trade receivables | 169,117 | 136,552 |
| Provision for loss allowance | (1,505) | (1,042) |
| | <u>167,612</u> | <u>135,510</u> |

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

| | 2023 | 2022 |
|--------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| 0 to 60 days | 153,816 | 105,282 |
| 61 to 180 days | 11,412 | 25,220 |
| 181 days to 1 year | 599 | 2,748 |
| Over 1 year | 1,785 | 2,260 |
| | <u>167,612</u> | <u>135,510</u> |

Reconciliation of loss allowance for trade receivables:

| | 2023 | 2022 |
|---|---------------------|--------------|
| | RMB'000 | RMB'000 |
| At the beginning of year | 1,042 | 549 |
| Increase in loss allowance for the year | 463 | 493 |
| | <u>1,505</u> | <u>1,042</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 day to 1 year past due | Over 1 year past due | Total |
|-------------------------------------|----------------------------------|----------------------------------|-------------------------|---------|
| At 31 December 2023 | | | | |
| Weighted average expected loss rate | 1% | 2% | 5% | 1% |
| Receivable amount (RMB'000) | 159,305 | 8,828 | 984 | 169,117 |
| Loss allowance (RMB'000) | 1,319 | 135 | 51 | 1,505 |
| 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 |

12. OTHER RECEIVABLES AND PREPAYMENTS

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Non-current assets | | | |
| Long-term deposits | | 12,724 | 11,843 |
| Prepayments | | 2,221 | 2,527 |
| Trade Debts due from a former subsidiary | <i>(i)</i> | – | 207,421 |
| Prepayments for acquisition of land use right | <i>(ii)</i> | – | 28,420 |
| | | <u>14,945</u> | <u>250,211</u> |
| Current assets | | | |
| Prepayments | | 22,844 | 12,302 |
| Trade Debts due from a former subsidiary | <i>(i)</i> | 210,999 | 4,255 |
| Value-added tax receivable | | 1,093 | 550 |
| Interest receivables | | – | 632 |
| Others | | 18,154 | 13,862 |
| | | <u>253,090</u> | <u>31,601</u> |
| Total | | <u>268,035</u> | <u>281,812</u> |

Notes:

- (i) On 18 June 2020, the Group entered into an obligations and debts framework agreement (“Obligations and Debts Framework Agreement”) with Mayflower (Nanjing) Enterprise Limited (“Nanjing Mayflower”), a former subsidiary of the Group.

On 31 July 2020, the Group disposed 100% equity interest in Nanjing Mayflower. Nanjing Mayflower owed various members of the Group the trade debts (“Trade Debts”), being certain intra-group debts which had arisen in the ordinary course of business over the years.

Pursuant to the Obligations and Debts Framework Agreement, Nanjing Mayflower shall settle the Trade Debts during the two years from 31 May 2020 (“the Trade Debts Settlement Period”).

The Trade Debts should be settled during the Trade Debts Settlement Period in the following manner:

- (a) Nanjing Mayflower would lease certain of its immovable property to the Group to offset part of the Trade Debts with the rents payable;
- (b) Should the Trade Debts not being fully settled in the above manner within the two-year period, the Nanjing Mayflower shall pay a sum equivalent to the remaining Trade Debts to the Group upon the expiry of the two-year period.

On 10 March 2022, the Group signed an extension agreement with Nanjing Mayflower, pursuant to which the repayment date of the Trade Debts is extended to 31 May 2023.

On 10 February 2023, the Group further signed an extension agreement with Nanjing Mayflower, pursuant to which the repayment date of the Trade Debts is extended to 31 May 2024.

As at 31 December 2023, the Trade Debts due from the Nanjing Mayflower with carrying amount of RMB210,999,000 (2022: RMB211,676,000) are secured by the Nanjing Mayflower's land use rights and buildings as collateral with a fair value of approximately RMB158,700,000 (2022: approximately RMB170,600,000) in total.

- (ii) The amount represent the deposit paid to government for the acquisition of land for the construction of factory in Xuzhou during 2022. During the year ended 31 December 2023, the construction of the factory had been completed and available for use. The deposit was reclassified to right-of-use assets.

13. TRADE AND BILLS PAYABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------|-------------------------------|------------------------|
| Trade payables | 135,399 | 125,310 |
| Bills payables | — | 52 |
| | 135,399 | 125,362 |

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

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------------|-------------------------------|------------------------|
| 0 to 90 days | 130,267 | 118,134 |
| 91 to 180 days | 105 | 1,135 |
| 181 days to 1 year | 308 | 590 |
| Over 1 year | 4,719 | 5,451 |
| | 135,399 | 125,310 |

14. SHARE CAPITAL

| | Number of shares | Amount USD'000 |
|---|-------------------------|---------------------------------|
| Ordinary shares of USD0.015 each | | |
| Authorised: | | |
| At 1 January 2022 and 31 December 2022, 1 January 2023 and 31 December 2023 | 20,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 1 January 2022 and 31 December 2022, 1 January 2023 and 31 December 2023 | 2,077,000,000 | 31,155 |
| | | Amount RMB'000 |
| At 1 January 2022 and 31 December 2022, 1 January 2023 and 31 December 2023 | | 209,097 |

During the year ended 31 December 2023 and 2022, the Company did not repurchase any shares through the Stock Exchange.

MANAGEMENT DISCUSSION & ANALYSIS

Business Overview

According to the World Bank's latest Global Economic Prospects report, global gross domestic product (GDP) is estimated to grow by 2.4% in 2024. The World Bank warned that global growth in 2024 is set to slow for the third year in a row. Many developing countries will continuously face with the prolonging poverty and debilitating debt levels. Hamstrung by the COVID-19 pandemic, then the war in Ukraine and fluctuated inflation and interest rates around the world, the global economy is predicted to remain subdued for 2024 as countries continue to face a variety of challenges.

Even though the global economic situation changes, China recorded GDP growth of 5.2% in 2023, successfully meeting last year's annual target and in line with market forecast. It showed that China's economy has achieved a remarkably steady growth and emerged from the shadows of the pandemic over the past year. The increase in growth is attributed to China's economic policies to maintain stable growth.

China's retail sales of consumer goods increased by 7.2% in 2023. Total retail sales of consumer goods reached RMB47.15 trillion (about 6.63 trillion U.S. dollars) last year, according to the statistics of the National Bureau of Statistics (NBS). In 2023, consumption became the main driving force for economic growth again.

Amid an economic slowdown, the momentum in consumer consumption has been appeared to slow down, weighing on economic recovery. The International Monetary Fund outlined a forecast for China's real GDP growth to slow to 4.6% in 2024. Another example is that consumers in China were scouring for discounts and spending cautiously for last year's 'Singles' Day' shopping event, which saw a significant slowdown given the tough competition, a weakening economy, and weakening consumer sentiment.

However, the government officials predicted that consumption will maintain decent growth in the next stage, as there are many favourable conditions to support its continuous recovery. China's consumption potential is huge, adding that the market with a population of over 1.4 billion, the steady advancement of urbanization and the upgrading of consumption structure have provided broad space for the growth of consumption.

Although the recovery of the domestic consumption market in China still faces a complex situation of uncertainties, China will strive to expand domestic demand and ensure a speedy economic recovery, according to an interim report on China's 14th five-year plan published by parliament. China will prioritise the restoration and expansion of consumption, stabilise bulk consumption and promote consumption of services. China will also accelerate reforms aimed at expanding the country's middle-income bracket.

The government has recently implemented a series of measures to shore up a feeble post-pandemic economic recovery. With support policies in place and more stimulus on the horizon, Chinese consumption is expected to rebound as the business environment improves. We believed that with continued support from the government, the fundamentals of China's long-term economic growth remain unchanged, and China's consumer market and economic performance will gradually recover.

Facing the current global economic slowdown, the Company is fully prepared to overcome the challenges. The Group will continue to establish its foothold in the footwear industry and steadily build its advantages, while unremittingly carrying out restructuring work. The Group will further enhance the brand positioning, increase attention to the development of new retail business, remain persistent in its reorganization efforts, while leveraging the Company’s competitiveness and brand value to quickly respond to emerging market risk. The Group will do its best to seize every development opportunity and strive to make steady progress based on the existing foundation.

The Group’s Performance

In the face of the sluggish economic recovery, leveraging the long-standing reputation of the “C.banner” brand, the Group regained momentum quicker than the general market amid a slow consumption recovery, and the Group is pleased with the business performance last year in general. For the twelve months ended 31 December 2023, the Group’s total revenue surged by 11.4% year-on-year to RMB1,539.9 million (2022: RMB1,381.7 million), while the Group’s operating profit grew by 41.9% to approximately RMB21.0 million (2022: RMB14.8 million). As the economy slowly rebuilds, the Group’s business is poised to sustain healthy development through progressive and steady strides.

Continue Restructuring Measures in Store Network

The Company has been optimizing its retail network in recent years. We are readjusting our offline retail store network and establishing a more visible online presence to reach our target customers more effectively. As the Company continues to assess the change in consumption patterns and behavioural changes, it strictly examines store performance to enhance overall distribution channel efficiency.

During the year under review, the Group recorded a net reduction of 30 proprietary shoes retail outlets and an increase of 2 third-party shoe retail outlets, respectively. As at 31 December 2023, the Group operated a network of 875 proprietary retail outlets and 186 third-party retail outlets across China, maintaining a strong presence in 31 provinces, municipalities and autonomous regions.

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

| Distribution Regions | C.banner | | EBLAN | | MIO | | Naturesun | | Total |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|
| | Proprietary outlets | Third-party outlets | Proprietary outlets | Third-party outlets | Proprietary outlets | Third-party outlets | Proprietary outlets | Third-party outlets | |
| Northeast region | 78 | 14 | 25 | – | 13 | 12 | – | – | 142 |
| Northern China | 94 | 68 | 15 | – | 15 | 26 | 6 | – | 224 |
| Eastern China | 164 | 33 | 45 | – | 55 | 3 | 30 | 1 | 331 |
| Shanghai area | 81 | – | – | – | 11 | – | 11 | – | 103 |
| Southern China | 91 | 6 | – | – | 10 | – | 1 | – | 108 |
| Western China | 98 | 18 | 7 | 1 | 19 | 4 | 6 | – | 153 |
| Total | <u>606</u> | <u>139</u> | <u>92</u> | <u>1</u> | <u>123</u> | <u>45</u> | <u>54</u> | <u>1</u> | <u>1,061</u> |

Note:

- (1) Northeast region includes Jilin province, Liaoning province, Heilongjiang province and Hulunbuir City in Inner Mongolia Autonomous Region;
- (2) North China includes Beijing, Tianjin, Inner Mongolia Autonomous Region (except Hulunbuir City), 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.

The Group is cautious about next year's performance on distribution channel. At present, our store structure is mainly composed of department stores. Outlets (factory direct-sale stores) contribute relatively much to profits and are the focus of our future efforts. The Company is one of the first companies in the industry to try and adopt the outlets model, and the number of existing stores adopting this model is more than 100, which has proven to be successful in delivering greater operational efficiency. The Company will continue to expand the number of outlets in the future.

The Group is exploring profit models for shopping mall stores, which is also one of the key development in the future. There are currently 60 shopping mall stores. We plan to gradually increase the number of shopping mall stores to about 150 in the future.

Enhance Efficiency in Distribution Channels

In the future, the focus will still be put on improving single store efficiency and controlling inventory, and the Group strives to enhance same-store sales growth of each offline store. As the Company continues its restructuring measures in store network, we believe a continuous distribution network evaluation provides a comprehensive view of business operations, as we aim at achieving an optimized balance between cost control, revenue stream, brand visibility, and market share.

At present, a stable growth model has not yet been found in shopping mall stores, which can be as stable and profitable as in department stores. It will take time to explore the profit-making model; substantial offline growth is impossible to achieve. The Group is actively exploring more offline consumption scenarios.

Reinforce the Implementation of a New Retail Matrix Integrating Online and Offline Operations

We always capture opportunities in the multimedia market and provide consumers with the most fashionable and convenient online and offline shopping methods. Last year, the Group worked hard to invent and build an online business through various social media platforms, which will help attract a new generation of customers. Starting from 2023, we have been working hard to implement a new retail business matrix that integrates online and offline.

Data released by the National Bureau of Statistics shows that in 2023, the country's online retail sales were RMB15.4 trillion, representing an increase of 11.0% over the previous year; online retail sales of physical goods increased by 8.4% over the previous year. It can be seen that e-commerce livestreaming is booming and will maintain rapid growth in 2024.

Livestreaming e-commerce is very popular in China, and viewers like to watch live product explanations. The Company believes that livestreaming e-commerce is a modern, hybrid model that integrates face-to-face and online shopping and continues to exert positive advertising effects. In this regard, the Company actively involved in the development of e-commerce platforms, and made attempts at developing interest e-commerce platforms, especially on recommending platforms such as Xiaohongshu and Dewu.com.

In 2021, the Company began to collaborate with first-tier KOLs and in 2022, it extended its collaboration to second-tier e-commerce livestreamers. Moreover, the Company has established a professional team to provide livestreaming e-commerce support. The team is closely involved in the planning and developing of content for livestreaming events, including product mix-and-match, storylines, scripts, and hosts or influencers.

C.banner's brand live broadcast will be carried out in three directions, including creating live broadcast with the goal of teaching, integrating video account product sales, and offering joint live broadcast activities. Joint live broadcasts are held at the headquarters and branch offices in addition to special cloud live broadcast, and live video account broadcast.

The Company opened its proprietary flagship stores on Tmall, JD.com, Pinduoduo, Vipshop, and Tik Tok (Douyin) etc. Additionally, we authorized other online stores to sell our products. The Group is stepping up its marketing efforts on high-traffic social media platforms to boost its brand awareness and build its customer loyalty.

Currently, we target at the middle-class consumers, and improve quality and cost performance. Despite the popularity of online livestreamers, the return rate in the livestreaming e-commerce market still has shortfall, and the online refund rate remains high. The Company will closely monitor and control the inventory risks arising from this innovative sales channel model.

Promote the Development of New Social Media Platforms and E-commerce platforms

2024 is an era of win-win cooperation between technology and mankind, and the Group will strengthen the use of AR in brand promotion. During this year, the Brand Application Management Center will continue to provide services, improve empowerment and stand along with consumers and front-line employees.

In recent years, WeChat mini-program of C.Banner has become very popular because the official WeChat account has functions such as new blockbusters and VIP inquiries. It also sends product promotion pictures or brand event information at fixed times every week. The number of articles read and fan comments have increased significantly, allowing consumers to develop fixed reading habits.

The Group believes that both “Data-driven and refined operations improve business results”. The Company included the popular WeChat mini programs in its operations to elevate its presence in terms of “people”, “goods” and “scenarios”, and boost overall sales performance. The Group will continue to strengthen WeChat operations and maintain fans’ loyalty.

Because of the popularity of C.banner’s WeChat official account, the Group also established a micro-mall. After viewing new pictures and texts of C.banner’s footwear on the WeChat official account, customers are directly diverted to the C.banner’s micro-mall to buy the footwear, which helps increase product sales. On top of that, customers can also search for nearby stores on WeChat official account, making it convenient for consumers to buy offline and creating a positive shopping experience.

Explore Private Traffic Operations and Achieve Cloud Transformation

In recent years, brands’ exploration of private traffic operations and the establishment of sustainable and reusable traffic fortresses have become the key to brand growth. Faced with the continuous evolution of new models, new business formats, and new scenarios, C.banner relies on Weimob smart retail solutions to intelligently upgrade the entire link, and empowers it through smart shopping guides, online malls, mini program live broadcasts and other channels.

C.banner’s private traffic focuses on the construction and operation of the membership system, matching it with the brand’s own consumption scenarios, and then developing a deeper and more refined operation system. At the same time, we use the private traffic as a one-stop consumer experience platform that integrates multiple services such as product sales, service experience, brand promotion, and membership operations.

C.banner’s private traffic strategy is based on “the headquarters formulate content, and the shopper’s guide enforces execution”. The online store adopts a “1+25” model. The headquarters carries out work from membership programs, content marketing, mall planning, organizing regular training, and refines operations, while reducing the front-line operating procedures of the branches; the branches mainly focus on two tasks: adding followers and executing various tasks formulated by the headquarters.

Based on the “1+25” model, C.banner can flexibly balance major festival event operations and regional personalized product management. For example, for the anniversary of C.banner, branches can be required to carry out activities according to the headquarters’ activity plan. The headquarters can publish relevant information uniformly at back, and even use AI to promote the unified operation of the community. All 25 regional branches can operate customized products.

C.banner’s private traffic is expanding to the entire region, and two connections have been established. The first is the connection between corporate WeChat, Youzan mini-program and the membership system, and the second is the connection between all platform members.

C.banner uses its number of members as the core to connect various online and offline touch points, and connects with the WeChat ecosystem to build a complete global business system. Whether customers joining online or offline, whether their next purchase is through online or offline, user information can be captured and recorded. We will do our best to get customers to join the membership through various forms. We have also established fan groups on various platforms, including Taobao, Weibo, etc., so that members can find C.banner brand terminals at any time.

In terms of user experience, data integration based on multiple channels promotes standardization and consistency of multi-channel service experience. At present, C.banner has achieved the foundation and accumulation of its own Private Traffic 1.0. In the future, it will focus on operating around consumers and create Global 2.0 to achieve a closed-loop global marketing.

Adhere to Original Intention of the Company, Strengthen Brand Positioning

C.banner focuses on brand innovations, adheres to the original intention of the Company, and identifies the brand positioning. As a leading and well-established footwear group in China, the Company has built up a proprietary brand portfolio comprising “C.banner”, “EBLAN”, “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. In the future, the Group will remain well-positioned and well-prepared to fully explore the potential of its business model in the post-pandemic era.

In addition, C.banner understands its own customer base. The Group’s target customers are China’s mid-to-high-end customer base, with both fashion and comfort in footwear design. The Group’s implementation of multi-brand business strategy and important measures of horizontal expansion add vitality and bring synergy to the Group’s diversified brand portfolio and overall business, and help the Group increase its market share and enhance its industry influence.

Seek Differentiation and Breakthrough

Times have changed, and trends are constantly changing, and the “de-formalization” movement is on the rise. More and more women no longer prefer high heels, but consider comfort and practicality as the primary criteria for choosing shoes. C.banner has faced severe homogeneous competition in the domestic women’s shoe market, hoping to find differentiation and breakthrough.

C.banner has generated strong brand value and obtained high brand recognition among consumers with its premium quality in business and business casual footwear. Viewing the athleisure market as a new future trend, the Company proceeds with diversified branding strategy and expands its customer base to the younger generation, as a result, to raise market share.

The Company enjoys its longstanding reputation as an integrated manufacturer and retailer of mid-to-high-end women’s footwear in China and its diversified brand is good for meeting the changing footwear needs and preferences of a new generation of young customers. Customers are now placing greater emphasis on footwear design and style. In order to stay competitive, the Company paid more efforts on product innovation, in order to push the Company to keep bringing refreshing and on-trend designs to the market.

In the domestic women’s shoes market, the competition of brands and products is very fierce. In order to attract consumers, brands need to continue to innovate and improve, and provide more fashionable, comfortable and high-quality products.

The Company has the knowledge and feel for modern production, sophisticated design, appropriate technology, and shoemaking techniques. We employ a coordinated team of designers, modelers and shoe technicians to ensure efficient and high-quality product development. We use big data extracted from our rich customer database to further empower product upgrades including trying to use artificial intelligence and CHATGPT technology to strengthen product development.

C.banner’s noiseless step shoes IV has obtained a utility model patent certificate. By continuously upgrading noiseless step shoes technology, we strive to provide customers with a comfortable experience and create a refined and quiet lifestyle. In addition, our manufacturing processes remain flexible and can be adapted to changing customer preferences.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group’s total revenue increased by 11.4% to RMB1,539.9 million, compared to the same period of last year. Gross profit increased by 13.6% to RMB871.4million. The profit reached RMB21.0 million, compared to a profit of RMB14.8 million in the same period of last year, representing an increase of 41.9%.

Revenue

For the year ended 31 December 2023, the Group’s total revenue increased by 11.4% to RMB1,539.9 million, compared to RMB1,381.7 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 (“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 | | | | |
|------------------------|--------------------------------|---------------------------|-------------------------|---------------------------|--------------------|
| | 2023 | | 2022 | | % Growth |
| | <i>RMB ('000)</i> | <i>% of Total Revenue</i> | <i>RMB ('000)</i> | <i>% of Total Revenue</i> | |
| Retail and Wholesale | 1,356,413 | 88.1 | 1,152,714 | 83.4 | 17.7 |
| Contract Manufacturing | 123,299 | 8.0 | 193,149 | 14.0 | (36.2) |
| Retail of Toys | 60,230 | 3.9 | 35,879 | 2.6 | 67.9 |
| Total | <u>1,539,942</u> | <u>100</u> | <u>1,381,742</u> | <u>100</u> | <u>11.4</u> |

Profitability

For the year ended 31 December 2023, the gross profit increased by 13.6% to RMB871.4 million, the gross profit margin was 56.6%, representing an increase of 1.1 percentage points from 55.5% last year.

For the year ended 31 December 2023, distribution and selling expenses reached RMB740.7 million, representing an increase of 6.6%, compared to expenses of RMB694.9 million last year, and such increase was mainly due to the increase in channel expenses and sales staff compensation resulting from the increase in revenue. Distribution and selling expenses accounted for 48.1% of total revenue, compared to 50.3% last year.

For the year ended 31 December 2023, administrative and general expenses amounted to RMB113.8 million, representing an increase of RMB6.6 million compared to the same period of last year. Administrative and general expenses accounted for 7.4% of total revenue, compared to 7.8% last year, and such decrease in the ratio was mainly attributable to the increase in revenue.

For the year ended 31 December 2023, the Group's other income and other gains and losses recorded a net profit of RMB79.9 million as compared to a net profit of RMB55.0 million last year. Other income and expenses and other gains and losses mainly included government subsidies, royalties income and interest income on bank deposits. The increase was mainly attributable to an increase in government subsidies.

For the year ended 31 December 2023, the Group recorded finance costs of RMB3.0 million, compared to RMB2.6 million last year. The increase was mainly attributable to changes in right-of-use assets.

For the year ended 31 December 2023, the Group's income tax expense increased by RMB71.6 million to RMB74.2 million, compared to an expense of RMB2.6 million last year. The increase was mostly attributable to an increase in income taxes related to withholding taxes. For the year ended 31 December 2023, the Group recorded profit attributable to owners of the Company of RMB20.8 million, as compared to the profit of approximately RMB14.8 million recorded in 2022.

For the year ended 31 December 2023, the Group's profit increased by 41.9% to RMB21.0 million as compared to the same period of last year.

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 2023, the Group had cash and cash equivalents of RMB663.5 million (2022: RMB496.3 million).

As at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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 2023, the Group had no bank borrowings denominated in foreign currency.

Pledge of Asset

The Group did not have any pledged assets as at 31 December 2023 (2022: nil).

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 2023 (2022: nil).

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 8.0% 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 2023, the Group recorded a gain of RMB1.9 million from currency exchange, compared to a gain of RMB8.7 million last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2023, the Group had 4,594 employees (31 December 2022: 4,788 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 2023 (2022: nil).

Events After the Reporting Period

Save as disclosed in this announcement, there were no significant events after 31 December 2023 and up to the date of this results announcement.

Outlook

As we enter 2024, the market is cautious about the global economic outlook. It is expected that the global economy may experience a period during when it is lower than expectation in 2024, with global economic growth expected to be only 2.4%. However, we believe that China can still perform well and maintain growth at a steady pace.

Shoes are a necessity for people's livelihood. The industry size is expected to grow to US\$445 billion by 2024. From the perspective of market structure, the global footwear market is mainly dominated by sports shoes and leather shoes. With the upgrade of China's consumption and the increase of residents' disposable income in recent years, the size of the footwear market is expected to maintain a steady growth trend.

Specialized division of labor in the market is an inevitable trend of development. C.banner will focus on building brand value, product design and marketing system construction, and rely on professional technology to produce shoes. At the same time, as people's income levels and quality of life improve, consumption concepts are gradually changing. Function, fashion, and environmental protection have become important factors for consumers to purchase shoes.

In addition to continuing to strengthen the functionality of shoes, the Group also continues to enhance the fashion, trend and research and development innovation of styles, pursuing the integration of functionality and fashion trends, making the dressing scenes of shoes more diverse. The Group is popular for its brand value being elegant, charming and fashionable. It also operates several self-developed brands including "C.banner", "EBLAN", "MIO", "BADGLEY MISCHKA" and "Naturesun".

In 2023, the Foshan research and development institution has improved the efficiency of online and offline product development and first replenishment orders, together with the quality control progress and the technical connection with Suining factory, all reflecting the support of the team and the progress of cross-department collaboration. Represented by noiseless step shoes and U-shaped shoes, our product research and development aims to meet consumer needs and solve key points by constantly overcoming technical difficulties and directions. Cross-border co-branding from the sales and product promotion levels has innovated more ways to play.

In a time of constant change and heightened customer expectations, it is crucial to keep the "C.banner" brand revitalisation and maintain its relevance to unlock the spending power of targeted consumers for sustainable growth. To move with the times, the Group continues to launch new brand and new collection to enrich and diversify its product mix and refresh its image, thereby meeting the ever-changing demands of targeted consumers.

As e-commerce continues to spike and evolve, the Group will devote more resources to enhancing its development in the online retail market. To keep abreast of market trends, the Group is committed to building stronger presence on existing e-commerce platforms, leveraging on the popularity and customer base of e-commerce platforms to seize market opportunities and grow its market share.

C.banner attaches importance to refined operations under the three-dimensional coordinates of members, communities and live broadcasts. The company has established a private traffic pool that has independent private traffic control and can directly reach customers, which has become an inevitable choice for brands. At the same time, it has implemented digital management of existing stores through mini-program malls, mini-program live broadcasts, private domain traffic operations, etc., to provide consumers with all-scenario and all-channel services.

C.banner pays great attention to the growth of effective members. In daily operations, in order to allow shopping guides to pay more attention to in-store consumers and potential consumers, C.banner uses the mini program mall as a position to create an omni-channel shopping experience for users that seamlessly connects online and offline; and online VIP activities are held regularly in lower-tier stores, and shopping guides guide online invitations and offline experiences to increase member activity and repurchase rates.

As a mid-to-high-end shoe brand, C.banner has demonstrated its own market logic in customer contact, relationship maintenance, enhanced repurchase rates and member conversion, and has refined the operations through store linkage, mini program live broadcast, WeChat community, membership marketing, etc., to improve user reach and conversion. In the future, C.banner will continue to drive precision marketing based on digitalization, and find a unique private traffic development path through rich and multi-dimensional operating models.

The supply chain has been significantly adjusted and optimized, and we set up two major bases, one in the south and one in the north, providing a stable, independent and controllable guarantee for our future development. 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.

Although the Company's operating conditions and financial performance are under pressure, the Company successfully responds to these challenges and strives to seek breakthroughs by quickly responding to changing market conditions, making timely adjustments to market strategies, and leveraging its resource advantages. Looking forward, the Company will continue to focus on strengthening its main business, optimizing online and offline experiences, further enhancing competitiveness, while maintaining sustained growth and creating more value for shareholders.

SIGNIFICANT SUBSEQUENT EVENTS

On 29 November 2023, Orchid Valley Holdings Limited (the "Offeror") and the Company jointly announced a voluntary conditional cash offer by the Offeror to acquire all the issued shares of the Company (other than those shares already owned by the Offeror and certain parties acting in concert with it) (the "Offer"). The Offer opened for acceptance on 20 December 2023 and was declared unconditional in all respects on 15 January 2024. The Offer closed on 18 March 2024. Immediately after the close of the Offer, the Offeror holds, controls or has directions over 820,759,436 shares of the Company, representing approximately 39.52% of all the Company's issued shares.

For full details of the Offer, please refer to the joint announcement dated 29 November 2023, the composite document dated 20 December 2023, the joint announcement dated 15 January 2024, the joint announcement dated 4 March 2024 and the joint announcement dated 18 March 2024 jointly issued by the Offeror and the Company.

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, 27 June 2024, the register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024, 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, 21 June 2024.

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 Part 2 of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 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 2023. 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 2023.

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 2023 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 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 a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct throughout the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, 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 2023 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 2023 annual report of the Company containing all the information required by the Listing Rules will be sent 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, 28 March 2024

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 Directors are Ms. CHENG Xuanxuan and Mr. MIAO Bingwen; and the independent non-executive Directors are Mr. KWONG Wai Sun Wilson, Mr. XU Chengming and Mr. ZHENG Hongliang.